

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**[COMMERCIAL LIST]**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED**

**AND IN THE MATTER OF THE NOTICE OF INTENTION OF  
DACO MANUFACTURING LTD. OF THE CITY OF TORONTO  
IN THE PROVINCE OF ONTARIO**

**MOTION RECORD**  
**(Returnable June 8, 2015)**

**BENNETT JONES LLP**  
3400 One First Canadian Place  
Toronto, ON M5X 1A4

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Tel: 416.777.4802  
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Lawyer for the Applicant,  
Daco Manufacturing Ltd.

# SERVICE LIST

|                |   |                |   |
|----------------|---|----------------|---|
| <b>TO</b>      | <b>DACO MANUFACTURING LTD.</b><br>401 Vaughan Valley Boulevard<br>Woodbridge, ON L4R 3B5<br>Tel: 905.850.9401<br><br><b>Matthew Lunetta</b><br>Email: <a href="mailto:matthew.r.lunetta@gmail.com">matthew.r.lunetta@gmail.com</a><br><br><b>Sheila Vanderkam</b><br>Email: <a href="mailto:ysd4219k@gmail.com">ysd4219k@gmail.com</a><br><br><b>The Applicant</b>  | <b>AND TO:</b> | <b>BENNETT JONES LLP</b><br>3400 One First Canadian Place<br>Toronto, ON M5X 1A4<br><br><b>Mark S. Laugesen</b><br>Tel: 416.777.4802<br>Email: <a href="mailto:laugesenm@bennettjones.com">laugesenm@bennettjones.com</a><br><br><b>Counsel to the Applicant,<br/>Daco Manufacturing Ltd.</b>   |
| <b>AND TO:</b> | <b>RICHTER ADVISORY GROUP INC.</b><br>181 Bay St., Suite 3320<br>Bay Wellington Tower<br>Toronto, ON M5J 2T3<br><br><b>Adam Sherman</b><br>Tel: 416.488.2345 x.2318<br>Email: <a href="mailto:asherman@richter.ca">asherman@richter.ca</a><br><br><b>Pritesh Patel</b><br>Tel: 416.642.9421<br>Email: <a href="mailto:ppatel@richter.ca">ppatel@richter.ca</a><br><br><b>The Proposal Trustee</b>                                       | <b>AND TO:</b> | <b>GOWLING LAFLEUR HENDERSON LLP</b><br>1 First Canadian Place, 100 King Street West, Suite 1600<br>Toronto, ON M5X 1G5<br><br><b>Clifton P. Prophet</b><br>Tel: 416.862.3509<br>Email: <a href="mailto:clifton.prophet@gowlings.com">clifton.prophet@gowlings.com</a><br><br><b>Counsel to the Proposal Trustee</b>  |
| <b>AND TO:</b> | <b>MERIDIAN CREDIT UNION LIMITED</b><br>797 Milner Avenue, Unit 200<br>Toronto, ON M1B 3C3<br><br><b>Doug Adams</b><br>Email: <a href="mailto:doug.adams@meridiancu.ca">doug.adams@meridiancu.ca</a><br><br><b>Barry Campbell</b><br>Email: <a href="mailto:barry.campbell@meridiancu.ca">barry.campbell@meridiancu.ca</a><br><br><b>Brian Mocha</b><br>Email: <a href="mailto:brian.mocha@meridiancu.ca">brian.mocha@meridiancu.ca</a> | <b>AND TO:</b> | <b>AIRD &amp; BERLIS LLP</b><br>Brookfield Place<br>Suite 1800, Box 754<br>181 Bay Street<br>Toronto, ON M5J 2T9<br>Tel: 416.863.1500<br><br><b>Steve Graff</b><br>Email: <a href="mailto:sgraff@airdberlis.com">sgraff@airdberlis.com</a><br><br><b>Ian Aversa</b><br>Email: <a href="mailto:iaversa@airdberlis.com">iaversa@airdberlis.com</a><br><br><b>Counsel to Meridian Credit Union Limited</b> |

|                |   |                |  |
|----------------|---|----------------|--|
| <b>AND TO:</b> | <b>ROYNAT CAPITAL</b><br>5160 Yonge Street<br>Suite 1000<br>Toronto, ON M2N 2L9<br><br><b>Gaurav Chopra</b><br>Tel: 416.859.7840<br>Email: <a href="mailto:choprag@roynat.com">choprag@roynat.com</a>   | <b>AND TO:</b> | <b>SIMPSONWIGLE LAW LLP</b><br>1 Hunter Street East, Suite 200<br>Hamilton, ON L8N 3W1<br><br><b>David J. Jackson</b><br>Tel: 905.538.8411<br>Email: <a href="mailto:jacksond@simpsonwigle.com">jacksond@simpsonwigle.com</a><br><br>Counsel to Roynat   |
| <b>AND TO:</b> | <b>COUNTER INTELLIGENCE MERCHANDISING INC.</b><br>333 North Rivermede Road No. 1<br>Concord, ON L4K 3N7   | <b>AND TO:</b> | <b>MARKOFF &amp; SHAIN LLP</b><br>8920 Woodbine Avenue, Suite 202<br>Markham, ON L3R 9W9<br><br><b>Howard Shain</b><br>Email: <a href="mailto:Shain@markoffshain.com">Shain@markoffshain.com</a><br><br>Counsel to Counter Intelligence Merchandising Inc.   |
| <b>AND TO:</b> | <b>CSBC CAPITAL INC.</b><br>100-1235 North Service Road West<br>Oakville, ON L6M 2W2<br><br>3450 Superior Court, Unit 1<br>Oakville, ON L6L 0C4   | <b>AND TO:</b> | <b>DACO (USA), INC.</b><br>401 Vaughan Valley Boulevard<br>Woodbridge, ON L4R 3B5<br><br><b>Matthew Lunetta</b><br>Email: <a href="mailto:matthew.r.lunetta@gmail.com">matthew.r.lunetta@gmail.com</a><br><br><b>Sheila Vanderkam</b><br>Email: <a href="mailto:vsd4219k@gmail.com">vsd4219k@gmail.com</a> |
| <b>AND TO:</b> | <b>DACO CANADA REAL ESTATE HOLDINGS LTD.</b><br>401 Vaughan Valley Boulevard<br>Woodbridge, ON L4R 3B5<br><br><b>Matthew Lunetta</b><br>Email: <a href="mailto:matthew.r.lunetta@gmail.com">matthew.r.lunetta@gmail.com</a><br><br><b>Sheila Vanderkam</b><br>Email: <a href="mailto:vsd4219k@gmail.com">vsd4219k@gmail.com</a> | <b>AND TO:</b> | <b>OFFICE OF THE SUPERINTENDENT OF BANKRUPTCY CANADA</b><br>Federal Building<br>55 Bay Street North, 9 <sup>th</sup> Floor<br>Hamilton, ON L8R 3P7<br><br>Tel: 1.877.376.9902  |

Court File No. 31-1995891  
Estate No. 31-1995891

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**[COMMERCIAL LIST]**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED**

**AND IN THE MATTER OF THE NOTICE OF INTENTION OF  
DACO MANUFACTURING LTD. OF THE CITY OF TORONTO  
IN THE PROVINCE OF ONTARIO**

**MOTION RECORD  
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| C          | Corporate Organization Chart   |
| D          | Ontario Personal Property Security Registration System search results against Daco as at May 20, 2015  |
| E          | Results of a search of title to Daco's real property as at May 29, 2015  |
| F          | Meridian Credit Agreement dated July 9, 2014, amended by amending letter dated December 30, 2014, and a forbearance letter dated December 30, 2014 |
| G          | General Security Agreement, dated February 18, 2011, given by Daco to Meridian   |
| H          | Charge / Mortgage of Land, dated February 18, 2011, given by Daco to Meridian  |



| TAB | DOCUMENT  |
|-----|---|
| I   | Offer To Finance Agreement, dated December 6, 2006, between Daco and RoyNat as amended by amending letters including those dated: <ul style="list-style-type: none"><li>• March 25, 2008,</li><li>• December 8, 2008,</li><li>• February 10, 2011,</li><li>• June 22, 2011,</li><li>• October 19, 2011,</li><li>• July 12, 2012,</li><li>• September 5, 2012,</li><li>• November 27, 2012,</li><li>• March 6, 2013,</li><li>• November 6, 2013, and</li><li>• November 10, 2014</li></ul> |
| J   | Secured Note dated December 28, 2006, given by Daco to RoyNat   |
| K   | Security Agreement, dated December 28, 2006, given by Daco to RoyNat  |
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# TAB 1

Court File No. 31-1995891  
Estate No. 31-1995891

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED**

**AND IN THE MATTER OF THE NOTICE OF INTENTION OF  
DACO MANUFACTURING LTD. OF THE CITY OF TORONTO  
IN THE PROVINCE OF ONTARIO**

**NOTICE OF MOTION  
(Returnable June 8, 2015)**

Daco Manufacturing Ltd. ("**Daco**") will make a motion to a judge presiding over the Commercial List on Monday, June 8, 2015 at 10:00 a.m., or as soon after that time as the motion can be heard, at the courthouse located at 330 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario.

**PROPOSED METHOD OF HEARING:** The motion is to be heard orally.

**THE MOTION IS FOR:**

1. An Order, substantially in the form attached at Tab 3 of the Motion Record:
  - (a) abridging the time for service of this Notice of Motion and the First Report (the "**First Report**") of Richter Advisory Group Inc. ("**Richter**") in its capacity as proposal trustee (the "**Proposal Trustee**") of Daco, if necessary, and validating service thereof;
  - (b) approving the bid process (the "**Bid Process**") as outlined in the First Report;

- (c) granting a first priority charge (the "**Administration Charge**") in favour of Richter (in its capacity as Proposal Trustee), legal counsel to the Proposal Trustee, and legal counsel to Daco to secure payment of their collective fees and disbursements; and
  - (d) extending the time within which a Proposal must be filed with the Official Receiver pursuant to section 50.4(9) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), and extending the 30 day stay of proceedings granted on May 19, 2015 to and including July 17, 2015.
2. Such further and other relief as counsel may advise and this Honourable Court deems just and appropriate.

**THE GROUNDS FOR THIS MOTION ARE:**

- 3. Daco is primarily a wholesaler of jewellery, including both costume and fashion jewellery (manufactured from precious metals such as gold and silver). Daco's products are sold to a wide range of customers in Canada, including significant national retail chains.
- 4. Daco's financial performance has declined over the past several years. In December of 2013, Daco's founder and guiding mind died. Early in 2015, one of Daco's major customers exercised a large volume-based set-off. In mid-May, Daco's president went on stress leave. Daco's problems were rapidly coming to a head.
- 5. Daco's secured creditors include RoyNat Inc, Meridian Credit Union Limited, CBSC Capital Inc., Daco USA, and (ostensibly) Counter Intelligence Merchandising Inc.

6. The Meridian Credit Agreement between Daco and Meridian Credit Union Limited provides Daco with an operating loan facility in the maximum principal amount of \$1.5 million. As at May 13, 2015, Daco had less than \$30,000 of availability under the operating facility in place under the Meridian Credit Agreement.
7. In view of the imminent liquidity crisis, with other problems mounting, and with no access to the funding necessary to address Daco's growing losses, Daco's Board of Directors determined that the company had no other option but to file a Notice of Intention to Make a Proposal under the BIA.
8. On May 19, 2015, Daco filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to section 50.4(1) of the BIA. The Proposal Trustee was appointed as Daco's proposal trustee in connection with the NOI proceedings.
9. The primary objectives of the NOI proceedings are to: (a) stabilize Daco, ensuring that it has the working capital necessary for its ongoing business and operations during the period of the NOI; (b) provide an opportunity to identify a purchaser or purchasers for the sale of Daco's assets, properties and undertaking; and (c) restructure Daco; in each case, in order to maximize recoveries for all of Daco's stakeholders.
10. Daco, in consultation with the Proposal Trustee, has determined that its stakeholders would be best served through the commencement of a court supervised sale process, and has developed the Bid Process with the assistance of the Proposal Trustee.

11. Daco believes that the Bid Process constitutes the best option for identifying a purchaser willing to acquire the business and operations of Daco on either a going concern basis or, at a minimum, on a basis superior to what might be generated in a liquidation.
12. Daco will require the participation of the Proposal Trustee, the Proposal Trustee's legal counsel and its own legal counsel to assist in these NOI proceedings, and Daco proposes the Administration Charge to secure the payment of their pre and post filing fees and expenses.
13. Daco is seeking an extension of the time for the filing of its Proposal and the stay of proceedings to and including July 17, 2015.
14. The additional time afforded by the proposed extension is required to permit Daco and the Proposal Trustee to pursue the Bid Process and a potential BIA Proposal.
15. Daco has acted and continues to act in good faith and with due diligence in seeking to restructure its affairs after the date of the filing of the NOI.
16. Daco is not aware of any creditors who are or would be prejudiced in any meaningful way by the requested extension.
17. For the reasons set out in the Affidavit of Matthew Lunetta, sworn June 3, 2015 (the "**Lunetta Affidavit**"), Daco believes it will have sufficient liquidity for the duration of the requested extension.
18. Such further and other grounds as set out in the Lunetta Affidavit.
19. Such further and other grounds as set out in the First Report.

20. Sections 50.4(9) and 64.2 of the BIA and the inherent and equitable jurisdiction of this Court.
21. Rules 1.05, 2.03, 3.02, 16.04 and 37 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended.
22. Such other grounds as counsel may advise and this Honourable Court may permit.

**THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THIS MOTION:**

- (a) the Lunetta Affidavit, and the exhibits thereto;
- (b) the First Report, and the appendices thereto; and
- (c) such further and other material as counsel may advise and this Court may permit.

June 3, 2015.

**BENNETT JONES LLP**  
3400 One First Canadian Place  
Toronto, ON M5X 1A4

**Mark S. Laugesen** (LSUC#:32937W)  
Tel: 416.777.4802  
Fax: 416.863.1716

Lawyer for the Applicant,  
Daco Manufacturing Ltd.

IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF DACO MANUFACTURING LTD. OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO

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**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

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**NOTICE OF MOTION**

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Lawyer for the Applicant,  
Daco Manufacturing Ltd.



# **TAB 2**

Court File No. 31-1995891  
Estate No. 31-1995891

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**[COMMERCIAL LIST]**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
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IN THE PROVINCE OF ONTARIO**

**AFFIDAVIT OF MATTHEW LUNETTA**

**Sworn June 3, 2015**

I, Matthew Lunetta of the City of Brooklyn in the State of New York, U.S.A., make oath and say:

1. I am the president of Lunetta & Associates Consulting LLC ("**Lunetta Consulting**"). Lunetta Consulting was engaged as an independent contractor by Daco Manufacturing Ltd. ("**Daco**") pursuant to a letter dated May 19, 2015 to provide certain services in the context of Daco's efforts to restructure. As such, I have personal knowledge of the matters to which I herein depose. Where the source of my information or belief is other than my own personal knowledge, I have identified the source and the basis for my information and verily believe it to be true.

2. On May 19, 2015, Daco filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"). Richter Advisory Group Inc. ("**Richter**") was appointed as proposal trustee (the "**Proposal Trustee**").

3. A copy of the NOI filed by Daco is attached hereto and marked as Exhibit "A", and a copy of the Certificate of Filing of the NOI is attached hereto and marked as Exhibit "B".

**I. RELIEF SOUGHT**

4. I swear this Affidavit in support of a Motion by Daco for an Order, *inter alia*:
- a) abridging the time for service of the Notice of Motion and the First Report of the Proposal Trustee (the "**First Report**") and validating the service thereof;
  - b) approving the bid process (the "**Bid Process**") as outlined in the First Report;
  - c) granting a first priority charge (the "**Administration Charge**") as described herein in favour of Richter (in its capacity as Proposal Trustee), legal counsel to the Proposal Trustee, and legal counsel to Daco to secure payment of their collective fees and disbursements; and
  - d) extending the time within which a Proposal must be filed with the Official Receiver pursuant to section 50.4(9) of the BIA, and extending the 30 day stay of proceedings granted upon the filing of the NOI on May 19, 2015 to and including July 17, 2015.
5. The purpose of these proceedings is to:
- a) stabilize Daco, ensuring that it has the working capital necessary for its ongoing business and operations during the period of the NOI;
  - b) provide an opportunity to identify a purchaser or purchasers for the sale of Daco's assets, properties, and undertaking; and
  - c) restructure Daco,

in each case, in order to maximize recoveries for all of Daco's stakeholders. The requested relief is integral to achieving this goal.

## II. BACKGROUND

6. Daco is a corporation incorporated under the provisions of the *Business Corporations Act* (Ontario) (the "**OBCA**"). The current Board of Directors consists of two parties: Mohan Ramnaraine and Sheila Vanderkam (who is also Chief Executive Officer). Both of these individuals joined Daco's Board of Directors on or about March 5, 2015 when Deepak Kashyap ("**Kashyap**"), who was also among things President of Daco at that time, resigned his directorship.

7. The sole shareholder of Daco is Daco Canada Holdings Ltd. ("**Daco Holdings**"). Daco Holdings also owns all of the issued and outstanding shares of Daco Canada Real Estate Holdings Ltd. ("**Daco Real Estate**"). The sole shareholder of Daco Holdings is Daco (USA), Inc. ("**Daco USA**"). Sheila Vanderkam owns all of the issued and outstanding shares of Daco USA. A copy of the corporate organization chart for these entities is attached hereto and marked as Exhibit "C".

8. Daco was formed on September 6, 1995 by the amalgamation of 1140934 Ontario Inc. J.B. Manufacturing Inc. and a predecessor corporation also called Daco Manufacturing Ltd. The origins of Daco date back to July 15, 1983, when the predecessor corporation was established.

9. Hank Vanderkam became involved in what is now Daco in approximately 1998, when he acquired the business and operations from the previous owners. From that point until he began to face serious health issues in December of 2012, leading to his eventual death in December of 2013, Hank Vanderkam was the guiding mind of Daco. Under his care, guidance, and leadership, Daco grew in size and became a successful and profitable business. Among other successes, Hank Vanderkam developed an innovative sourcing infrastructure that has become an industry standard, and leveraged Daco's core Canadian business to penetrate US markets, handling national US retailers such as Zales, Meijers, Duane Reade, and Winn Dixie (although Daco no longer has a significant presence in the US markets).

10. Prior to the illness and eventual death of Hank Vanderkam, his wife Sheila Vanderkam had very little involvement in or knowledge of the business and operations of Daco. Following

Hank Vanderkam's illness and eventual death, responsibility for and oversight of Daco's day to day operations largely fell to Kashyap, who was a long-time employee of the company.

11. It was not until approximately the middle of 2014 that Sheila Vanderkam began to take a greater interest in Daco in an effort to better understand its business and operations and, materially, the challenges the company was beginning to face. It was in or around the middle of 2014 that I also started to become more aware of what was going on in Daco.

12. Daco is primarily wholesaler of jewellery, including both costume jewellery and fashion jewellery (manufactured from precious metals such as gold and silver). Daco also does some manufacturing of jewellery, but this is very limited. Daco sells its products to a wide range of customers in Canada, including significant national retail chains such as Shoppers Drug Mart, Wal-Mart Canada, The Bargain Shop, Loblaw Companies Limited, Winners, The Shopping Channel, and Rexall, and has well-established and long-standing programs in place with many of its customers.

13. Daco operates from an approximately 27,000 square foot building on 1.4 acres of land located at 401 Vaughan Valley Road in Woodbridge, Ontario (the "**Premises**"). Daco's offices are located at the Premises, and all of its manufacturing, warehousing, shipping, and other operations take place at the Premises.

14. Daco is the bare legal title holder of the Premises, and beneficial ownership is in the name of Daco Real Estate.

15. Prior to the filing of the NOI, Daco had approximately 29 employees. On May 15, 2015, shortly before the NOI filing, in an effort to trim costs and address liquidity constraints, 21 employees were terminated. On May 21, 2015 a further 2 employees were terminated. Daco is currently operating with a "skeleton staff" of 6 key employees. None of the current or former employees were or are unionized and the Daco had no pension plan.

16. Wages and vacation pay for all terminated employees were brought current and paid to the point of termination. Wages are being paid to the remaining employees, but vacation pay for such employees is accruing unpaid.

### III. SECURED CREDITORS

17. Daco has the following creditors with security in its personal property in order of registration under the *Personal Property Security Act* (Ontario) (the "**PPSA**");

- a) RoyNat Inc ("**RoyNat**");
- b) Meridian Credit Union Limited ("**Meridian**");
- c) CBSC Capital Inc. ("**CBSC**") with two registrations;
- d) Daco USA; and
- e) Counter Intelligence Merchandising Inc. ("**CIMI**").

18. A copy of the PPSA search results from the Ontario Personal Property Security Registration System against Daco as at May 20, 2015 is attached hereto and marked as Exhibit "**D**".

19. In its capacity as bare legal title holder, Daco has also granted charges against title to the land and building comprising the Premises in favour of RoyNat and Meridian (with RoyNat registered prior in time to Meridian). A copy of the results of a search of title to the Premises as at May 29, 2015 is attached hereto and marked as Exhibit "**E**".

#### A. Meridian Loan and Security

20. Meridian and Daco entered into a Credit Agreement dated July 9, 2014, amended by an amending letter dated December 30, 2014 and a forbearance letter dated December 30, 2014 (collectively, the "**Meridian Credit Agreement**"). Copies of the documents comprising the Meridian Credit Agreement are attached hereto and marked as Exhibit "**F**".

21. The Meridian Credit Agreement provides Daco with an operating loan facility in the maximum principal amount of \$1.5 million, repayable on demand. Approximately \$1.35 million is currently outstanding under the Meridian Credit Agreement in principal and interest.

22. Daco was in default under the Meridian Credit Agreement as at the date of the filing of the NOI and remains in default. Technically, Meridian is not obliged to make any further advances to Daco pursuant to the operating loan facility.

23. Notwithstanding the default, Meridian has allowed Daco access to its operating loan facility for the limited, *ad hoc*, purposes of making key critical payments, including payroll (wages, vacation pay, and employee source deductions), real property taxes, and insurance premiums. Daco, with the assistance and under the supervision of the Proposal Trustee, has been in regular discussions with Meridian about Daco's funding needs during the NOI proceedings, including the possible melt-down of certain of Daco's inventory. These discussions are ongoing.

24. As security for advances under the Meridian Credit Agreement, Daco and parties related to Daco provided the following:

- a) a General Security Agreement, dated February 18, 2011, a copy of which is attached hereto and marked as Exhibit "G";
- b) a Charge / Mortgage of Land, dated February 18, 2011, securing the principal sum of \$2.5 million, registered against title to the land and building comprising the Premises, a copy of which is attached hereto and marked as Exhibit "H";
- c) a Guarantee and Postponement of Claim, dated June 26, 2014, given by Sheila Vanderkam (personally);
- d) a Guarantee and Postponement of Claim, dated December 12, 2012, given by Daco Real Estate; and
- e) a Guarantee and Postponement of Claim, dated February 18, 2011, given by Daco USA, supported by a Security Agreement given by Daco USA, dated February, 2011.

#### **B. RoyNat Loan and Security**

25. RoyNat and Daco entered into an Offer To Finance Agreement dated December 6, 2006, as amended by amending letters including those dated March 25, 2008, December 8, 2008,

February 10, 2011, June 22, 2011, October 19, 2011, July 12, 2012, September 5, 2012, November 27, 2012, March 6, 2013, November 6, 2013, and November 10, 2014 (collectively, the "**RoyNat Credit Agreement**"). Copies of the documents comprising the RoyNat Credit Agreement are attached hereto and marked as Exhibit "**T**".

26. Daco also provided RoyNat with a Secured Note dated December 28, 2006, a copy of which is attached hereto and marked as Exhibit "**J**".

27. The RoyNat Credit Agreement provides Daco with a term loan facility in the original amount of \$2.4 million, repayable over time on the basis set out therein. Approximately \$1.5 million is currently outstanding under the RoyNat Credit Agreement in principal and interest.

28. As security for advances under the RoyNat Credit Agreement, Daco provided the following:

- a) a Security Agreement, dated December 28, 2006, a copy of which is attached hereto and marked as Exhibit "**K**";
- b) a Charge / Mortgage of Land, dated December 29, 2006, securing the principal sum of \$2.4 million, registered against title to the land and building comprising the Premises, a copy of which is attached hereto and marked as Exhibit "**L**"; and
- c) an Assignment of Insurance Monies Agreement, dated December 28, 2006, a copy of which is attached hereto and marked as Exhibit "**M**".

29. Daco, Meridian, and RoyNat entered into a Priority Agreement dated November, 2013 pursuant to which, *inter alia*, RoyNat postponed and subordinated its security in the personal property of Daco to and in favour of Meridian's security in the personal property of Daco. A copy of the Priority Agreement is attached hereto and marked as Exhibit "**N**".

### **C. Daco USA Loan and Security**

30. Daco has also granted security to its ultimate parent company, Daco USA, for advances made to Daco through the years. The PPSA registration in favour of Daco USA was made on May 14, 2013 in all of the collateral of Daco except its consumer goods. The Daco USA PPSA



registration was effected subsequent in time to the PPSA registrations in favour of both Meridian and RoyNat.

31. It is my understanding that the security underlying Daco USA's PPSA registration against Daco is a General Security Agreement, but neither Daco nor Daco USA has been able to locate a copy of the actual document. Daco is working with its former lawyers and its current lawyers in an effort to locate that document.

32. Based on the last audited financial statements Daco has been able to track down, I understand that approximately \$2.7 million in principal and interest is owing by Daco to Daco USA. Daco continues to make efforts to determine the exact amount owing to Daco USA.

#### **D. Other PPSA Registrations**

33. CBSC has effected two registrations under the PPSA in the equipment and other collateral of Daco. Both of these registrations appear to relate to certain leased or financed Canon photocopiers. Payments have been made on the photocopiers through to July 31, 2015. Depending on Daco's circumstances and needs, the photocopiers will likely be returned to Canon at or before that date.

34. CIMI has effected a registration under the PPSA in the other collateral of Daco, purportedly in respect of a "Conditional Sales Agreement". This PPSA registration appears to relate to an agreement between CIMI and Daco dated August 1, 2014 for the supply of certain services by CIMI to Daco, but which does not provide for the grant of any security by Daco in favour of CIMI. Counsel to Daco has contacted counsel to CIMI to obtain further details regarding the legal basis of the PPSA registration.

35. CIMI had also effected a registration against title to the Premises on May 13, 2015, purportedly in respect of "an unregistered estate, right, interest, or equity" in the Premises; however, CIMI discharged its registration against title to the Premises on May 27, 2015.

#### **IV. OTHER CREDITORS**

36. Daco is current in paying wages to its remaining employees, consistent with its normal payroll practices, with the exception of vacation pay which is accruing unpaid at this time. All

source deductions for remaining employees are being paid. Daco is current in its HST obligations.

37. As at the date of the filing of its NOI, Daco owed its unsecured creditors approximately \$1 million dollars, excluding any amounts owing to former and current employees. A copy of the creditor listing is attached to the NOI materials at Exhibit "A".

**V. ASSETS:**

38. Daco's primary assets are its inventory and its receivables.

39. A spot inventory count completed by Daco under the supervision of the Proposal Trustee several days ago to check inventory levels confirms that the inventory on hand (excluding all showroom inventory) has a net book value (based on Daco's internal financial records) of approximately \$6 million.

40. Daco has on hand some "non-program" gold and silver inventory (i.e. inventory that is not regularly sold as part of a program with one of Daco's major customers) that Daco intends to melt down to generate monies to fund its (greatly reduced) operations and the costs associated with the ongoing NOI, including the Bid Process, for the duration of the requested extension. A final determination of the amount of inventory that will have to be melted down has not yet been made, but it is not intended to include any "program" inventory, any inventory current in Daco's showroom, or any costume jewellery. Daco, with the assistance of the Proposal Trustee, continues to discuss the particulars of this proposed inventory melt-down with representatives of Meridian, RoyNat, and Daco USA.

41. Inventory available for smelting which contains gold can be prepared for shipment to a smelter immediately, and will generate cash to Daco within approximately a week. Inventory available for smelting which contains silver will take approximately two to four weeks to prepare for smelting.

42. Daco's estimated receivables had a book value of approximately \$357,000 as at May 27, 2015; however, accrued rebates owing to customers, unprocessed returns, etc. may materially reduce that number.

43. As noted above, Daco is the bare legal title holder to the land and buildings which comprise the Premises. Beneficial ownership resides in Daco Real Estate. As also noted above, however, Daco has charged and mortgaged its bare legal title interest in the land and buildings which comprise the Premises to and in favour of both Meridian and RoyNat in support of the loans and advances made by those lenders to Daco. Based on current estimates of value and an appraisal obtained by Daco, it is estimated that there is more than sufficient value in the Premises alone (i.e. excluding inventory and receivables) to satisfy the total amount outstanding to both Meridian and RoyNat.

## **VI. FACTORS LEADING TO LIQUIDITY CRISIS AND NOI FILING**

44. There are several factors which led to the liquidity crisis faced by Daco prior to its NOI filing.

45. First, declining sales over the past several years resulted in Daco experiencing increasingly severe financial pressures. The company did not react quickly enough to its deteriorating performance and financial condition. As detailed below, liquidity concerns were largely addressed by means of cash injections from Sheila Vanderkam and/or through Daco USA rather than by addressing the underlying financial, operational, and other drivers.

46. Second, Daco's patriarch, founder, and guiding mind, Hank Vanderkam, died in December 2013. His death was preceded by a lengthy illness which began with heart failures commencing in December of 2012. While recovering from a massive surgery late in 2012, he suffered a stroke in early 2013 which led to, among other things, aphasia which continued until his death later that year. It would be hard to overstate the role that Hank Vanderkam played within Daco, and his death resulted in a significant void in (among many other things) the company's management team. In the period of Hank Vanderkam's illness and following his eventual death, responsibility for and oversight of Daco's day to day operations largely fell to Kashyap.

47. Third, after releasing a large number of orders in the first quarter of 2015, Shoppers Drug Mart notified Daco that it would be setting off approximately \$800,000 of accrued volume rebates against payables owed to Daco. The exercise of this large rebate was inconsistent with

recent practice between Shoppers Drug Mart and Daco. Shoppers Drug Mart is Daco's largest customer, and the loss of a significant receivable was devastating to the company.

48. Fourth, as the company's many issues were coming to a head, on May 12, 2015, Kashyap notified Sheila Vanderkam that he was taking a leave of absence due to stress, effective immediately. Until March 5, 2015, Kashyap had also been a director of Daco. Prior to his departure on stress leave, Kashyap was the president and the company's senior finance and accounting professional. During the illness and following the eventual death of Hank Vanderkam, Kashyap had been responsible for maintaining Daco's financial records, reporting to Meridian and RoyNat as senior lenders, driving the growth of the company, maintaining high level relationships with key customers, and many other day-to-day aspects of Daco's operations and business.

49. Sheila Vanderkam, widow of Hank Vanderkam, was not involved in the company's day to day operations during his illness and following his death, and oversight of Daco had largely fallen to Kashyap. Sheila Vanderkam was initially unaware of the materiality of the company's declining financial performance, and only in the last year (and in particular the last several months) became somewhat more engaged in dealing with the company's operations and affairs.

50. As a result of the exercise of the volume rebate set off by Shoppers Drug Mart, Kashyap informed Sheila Vanderkam shortly prior to his departure that in excess of \$1 million in capital injections would be required to "catch up" on payments owing to critical vendors and to fund operating losses which Kashyap advised would be incurred through July and August 2015.

51. As at May 13, 2015, the company had less than \$30,000 of availability under the operating facility in place under the Meridian Credit Agreement. Furthermore, in late April and early May, suppliers began to call with increased frequency, demanding payment on outstanding invoices.

52. Over the course of the approximately twelve month period leading up to the filing of the NOI, Sheila Vanderkam and/or Daco USA had advanced funds to the company in excess of \$1 million, including \$100,000 in April 2015 and a further \$15,000 during the week of May 11, 2015 to ensure that Daco employees would be paid. While she wished to support the company

her late husband founded and built, her resources and those of Daco USA are finite, and she was neither able nor willing to commit further resources to fund yet more Daco losses.

53. By mid-May 2015, Daco was in the midst of a full-blown liquidity crisis. With no access to the funding necessary to address mounting losses, Daco's Board of Directors determined that the company had no other option but to file the NOI to give the company the benefit of the stay of proceedings and an opportunity to consider restructuring alternatives.

54. By mid-May of 2015, it had become clear to Sheila Vanderkam that, with Kashyap's departure on a stress leave, she could not run Daco or deal with the pending NOI process. Sheila Vanderkam's home is in Texas, and she believed that her other roles and responsibilities would preclude her from committing the time, energy, and focused attention needed to deal with the many challenges at Daco.

55. At the same time, Sheila Vanderkam did not wish to relinquish control to the remaining employees and the recently retained outside professionals (Richters was retained on May 13, 2015, and Bennett Jones LLP as legal adviser to Daco on May 14, 2015). Rather, she wanted to have a family member who could be her "eyes and ears" with respect to Daco. I have been married to Sheila Vanderkam's daughter for a year now, and have been part of the Vanderkam family for over five years.

56. Accordingly, on May 19, 2015, Daco engaged my consulting company, Lunetta Consulting (with services which may only be provided by me personally) to provide certain services in connection with Daco's efforts to resolve the liquidity crisis and take whatever steps were necessary to restructure. Daco's Board of Directors also passed a resolution at that time authorizing me to sign, execute, and deliver all deeds, instruments, court filings, or other documents and do all things necessary or desirable in connection with those efforts.

## **VII. BID PROCESS**

57. The paramount goal of Daco is to preserve, maximize, and realize value for the benefit of all of its stakeholders.

58. Prior to the occurrence of the series of problems that ultimately led to the filing of the NOI, Daco was not contemplating a sale of its assets, properties or undertaking. No marketing or sale efforts had been undertaken and no serious unsolicited offers were received.

59. After careful consideration, and with the benefit of input from the Proposal Trustee, Daco has determined that its stakeholders would be best served through the commencement of a court supervised sale process (i.e. the Bid Process) to identify a purchaser or purchasers for the sale of Daco's assets, properties, and undertaking (including the land and building comprising the Premises, bare legal title to which is held by Daco) in the context of the NOI. The proceeds of any sale of the Premises would only be applied to satisfy any amount owing to Meridian and RoyNat under their real property security, with any surplus flowing back to Daco Real Estate as beneficial owner of the Premises.

60. Details of the Bid Process are set out in the First Report.

61. The Bid Process does not require Daco or the Proposal Trustee to accept the highest, best, or any offer received. Daco and the Proposal Trustee will consult with Meridian, RoyNat, Daco USA, and Daco Real Estate as the Bid Process unfolds, and approval will be sought from the Court for any sale.

62. It is my belief that the short and efficient Bid Process will allow a reasonable opportunity for the market to be tested to find a purchaser willing to acquire the business and operations of Daco on either going concern basis or, at a minimum, on a basis superior to what might be generated in a forced liquidation.

63. The Proposal Trustee is supportive of the Bid Process.

## **VIII. CASH FLOW FORECAST**

64. Daco has worked with the Proposal Trustee to prepare a thirteen week cash flow forecast (the "**Cash Flow**"), which was filed by the Proposal Trustee in accordance with the provisions of the BIA on May 28, 2015. A copy of the Cash Flow is attached hereto and marked as Exhibit "**O**". Based on my knowledge of the financial position of Daco and the assumptions set out in the Cash Flow, I believe that the forecast in the Cash Flow is fair and reasonable.

65. Daco has no debtor in possession financing and, while Meridian had been cooperative about allowing certain critical payments to be made, Daco is uncertain about the day to day availability of funding under the Meridian operating loan facility. As noted in the Cash Flow, Daco will need approxiamtely \$470,000 during the period ending on August 21, 2015.

66. Accordingly, as noted above, it is Daco's intention to melt down limited amounts of its "non-program" gold and silver inventory to generate cash to fund its (greatly reduced) operations and the costs associated with the ongoing NOI (including payment of fees to the Proposal Trustee, its counsel, and Daco's counsel and the costs of undertaking the Bid Process) for the duration of the requested extension of the NOI.

67. Since Daco's inventory is the subject of security in favour of Meridian, RoyNat, and Daco USA, Daco (with the assistance of the Proposal Trustee) has been and is currently engaged with these parties to obtain their consent to such arrangements.

## **IX. ADMINISTRATION CHARGE**

68. Daco is requesting that the Court grant a charge in favor of the Proposal Trustee, its counsel, and the company's counsel to secure the payment of their pre and post filing fees and expenses incurred in connection with this proceeding in the amount of \$150,000 (i.e. the Administration Charge).

69. The Administration Charge sought is intended to rank prior to the interests of all secured and unsecured creditors, including the security in favour of Meridian, RoyNat, and Daco USA.

70. Each of the professionals whose fees are to be secured by the Administration Charge has played and will continue to play a critical role in Daco's efforts to restructure and find a purchaser through the Bid Process.

71. I believe that the granting of the proposed Administration Charge is appropriate given the size and complexity of both Daco's business and operations and the planned Bid Process to be undertaken, and that the proposed Administration Charge is fair and reasonable in the circumstances.

72. The Proposal Trustee is supportive of the Administration Charge.

**X. EXTENSION**

73. In order to allow Daco sufficient time to implement the SISP, the company is seeking an extension of the time for filing of its Proposal to and including July 17, 2015.

74. Daco has acted, and continues to act, in good faith and with due diligence since the filing of the NOI, among other things offering its full cooperation to the Proposal Trustee undertaking the matters detailed in the First Report.

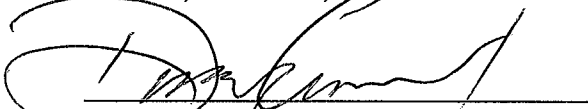
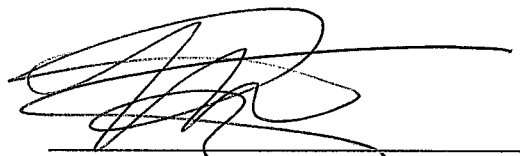
75. Daco requires the additional time afforded by the proposed stay extension to pursue the Bid Process and a potential BIA Proposal thereafter. The requested extension will allow Daco to return to court with the results of a completed Bid Process, which will give all stakeholders a better understanding of the potential outcome of any restructuring.

76. I am not aware of any creditors who are or would be prejudiced in any meaningful way by the requested extension.

77. Provided Meridian, RoyNat, and Daco USA will permit Daco to melt down and monetize limited amounts of the inventory over which they hold security, Daco will have sufficient liquidity to continue to fund its (greatly reduced) operations and the costs associated with the ongoing NOI, including the Bid Process, for the duration of the requested extension.

78. I swear this affidavit in support of Daco's motion for the relief requested and for no other or improper purpose.

SWORN BEFORE ME at the City of  
Woodbridge, in the Province of  
Ontario, on June 3, 2015

  
A Commissioner for taking affidavits  
Matthew Lunetta

DANIEL PHILIP CIPOLLONE,  
a Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 8, 2016.



IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF DACO MANUFACTURING LTD. OF THE CITY OF TORONTO IN THE PROVINCE OF  
ONTARIO

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

**COMMERCIAL LIST**


**AFFIDAVIT OF MATTHEW LUNETTA**  
**Sworn June 3, 2015**

**BENNETT JONES LLP**  
3400 One First Canadian Place  
Toronto, ON M5X 1A4

**Mark S. Laugesen (LSUC#32937W)**  
Tel: 416.777.6254  
Fax: 416.863.1716

Solicitors for the Applicant,  
Daco Manufacturing Ltd.

**THIS IS EXHIBIT "A" REFERRED TO IN THE**  
**AFFIDAVIT OF**  
**MATTHEW LUNETTA**  
**SWORN**  
**THE 3<sup>RD</sup> DAY OF JUNE, 2015**

  
A Commissioner for taking affidavits, etc.

DANIEL PHILIP CIPOLLONE,  
a Commissioner, etc., **Province of Ontario,**  
while a Student-at-Law,  
Expires April 8, 2016.

District of:  
 Division No.  
 Court No.  
 Estate No.

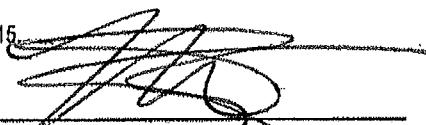
- FORM 33 -  
 Notice of Intention To Make a Proposal  
 (Subsection 50.4(1) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of  
 Daco Manufacturing Ltd  
 Of the City of Vaughan  
 In the Province of Ontario

Take notice that:

1. I, Daco Manufacturing Ltd, an Insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. Richter Advisory Group Inc. of 181 Bay Street, 33rd Floor, Toronto, ON, M5J 2T3, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the City of Toronto in the Province of Ontario, this 19th day of May 2015

  
 \_\_\_\_\_  
 Daco Manufacturing Ltd  
 Insolvent Person

To be completed by Official Receiver:

Filing Date \_\_\_\_\_

\_\_\_\_\_  
 Official Receiver

- Proposal Consent -

In the Matter of the Notice of Intention to Make a Proposal of  
Daco Manufacturing Ltd  
Of the City of Vaughan  
In the Province of Ontario

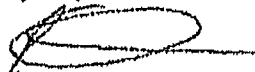
To whom it may concern,

This is to advise that we hereby consent to act as trustee under the Bankruptcy and Insolvency Act for the Notice of Intention to Make a Proposal of Daco Manufacturing Ltd.

Dated at the City of Toronto in the Province of Ontario, this 18th day of May 2015.

Richter Advisory Group Inc. - Trustee

Per:



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Paul van Eyk, CPA, IFA, CIRP

181 Bay Street, 33rd Floor

Toronto ON M5J 2T3

Phone: (416) 488-2345 Fax: (416) 488-3765

| List of Creditors with claims of \$250 or more. |   |                 |              |
|---|---|-----------------|--------------|
| Creditor  | Address   | Account#        | Claim Amount |
| A&H MANUFACTURING *                             | P.O. BOX 19720<br>1 CARDING LANE<br>JOHNSTON RI 02919-0720 USA                            | A&HUSA0001      | 23,365.26    |
| ABELL PEST CONTROL INC                          | 107-200 TIFFIELD ROAD<br>SCARBOROUGH ON M1V 5J1   |                 | 335.13       |
| ACPL EXPORTS PVT. LTD *                         | PHASE - II<br>X-33 OKHLA INDUSTRIAL AREA<br>NEW DELHI 110020 INDIA                        | ACPL00001       | 82,132.11    |
| BELFRY CO. LTD *                                | THAWEEWATTANA-KANCHANAPISEK RD.,<br>9/28 MOO2,<br>BANGKOK 10170 THAILAND                  | BELF00001       | 970.10       |
| BEST JEWELRY HOLDING<br>LTD.COMPANY(QINGDAO) *  | CHENGYANG DISTRICT<br>XIWANGTUAN,<br>CHENGYANG DIST. QINGDAO - 266109 CHINA               | BESTJEWELRY0001 | 1,755.00     |
| C.S FASHION (QINGDAO) *                         | CHENGYUAND DIST.<br>JINGKOU INDUSTRIAL PARK<br>CHENGYANG DIST. QINGDAO - CHINA            | CSFASHION00001  | 1,245.00     |
| CASEWARE IDEA INC.                              | 2ND FLOOR<br>469 KING STREET W.<br>TORONTO ON M5V 1K4                                     |                 | 1,130.00     |
| CHECKPOINT SYSTEMS<br>CANADA ULC                | C/O LOCKBOX 916060<br>PO BOX 4090 STN A<br>TORONTO ON M5W 0E9                             |                 | 5,514.00     |
| COUNTER INTELLIGENCE<br>MERCHANDISING           | 1-333 NORTH RIVERMEDE ROAD<br>CONCORD ON L4K 3N7  |                 | 185,887.26   |
| CREATIVE GOLD II INC *                          | 5TH FLOOR<br>1425 37TH STREET<br>BROOKLYN NY 11218 USA                                    | CREAGOLD001     | 4,623.79     |
| D.Y.JEWELRY CO., LTD<br>(QINGDAO) *             | NO 778 XINGYANG ROAD<br>ROOM 670, CENTURY HOUSE<br>CHENGYANG DIST. QINGDAO - 266108 CHINA | DYJEWELRY00001  | 3,855.50     |
| DACO (CHINA) *                                  | DONG LIU TIN-INDUSTRIAL GARDEN<br>LIUTING-JIEDAO, CHENGYANG-QINGDAO - CHINA               | DACOCCHINA001   | 6,448.14     |
| DAMA INC. *                                     | 25 OAKDALE AVENUE<br>JOHNSTON RI 02919 USA  | DAMA01404       | 7,505.90     |
| DHL EXPRESS (DUTY)                              | 18 PARKSHORE DRIVE<br>BRAMPTON ON L6T 5M1   |                 | 9,937.73     |
| DHL EXPRESS(CANADA),<br>LTD.                    | 18 PARKSHORE DRIVE<br>BRAMPTON ON L6T 5M1   |                 | 4,742.97     |
| EASYPACK CORP.                                  | 60 MCPHERSON ST<br>MARKHAM ON L3R 3V6   |                 | 1,577.11     |

| List of Creditors with claims of \$250 or more. |  |                 |              |
|---|--|-----------------|--------------|
| Creditor  | Address  | Account#        | Claim Amount |
| EH ASHLEY & COMPANY<br>INC *                    | 1 WHITE SQUADRON RD<br>PO BOX 15067<br>RIVERSIDE RI 02915-0067 USA                       | EHASHLEY_US     | 17,889.29    |
| ENGINEERED PLASTIC<br>DESIGNS INC.              | 154 MILVAN DRIVE<br>TORONTO ON M9L 1Z9   |                 | 30,694.47    |
| EUROPEAN DESIGN                                 | 510-21 DUNDAS SQUARE<br>TORONTO ON M5B 1B7   |                 | 272.39       |
| EVERSHINY JEWELRY<br>CREATION CO LTD *          | AMPHUR SAMPRAN<br>13/20 MOO 12 THAMBOL LAIKING<br>NAKORNPATHOM 73210 THAILAND            | EVERSHINY00001  | 4,115.00     |
| F & F TRADING STONE                             | 68 COLVILLE RD.<br>TORONTO ON M6M 2Y4  |                 | 585.90       |
| FEDERAL EXPRESS (DUTY)                          | 5985 EXPLORER DRIVE<br>MISSISSAUGA ON L4W 5K6  |                 | 16,169.21    |
| FEDERAL EXPRESS *                               | 5985 EXPLORER DRIVE<br>MISSISSAUGA ON L4W 5K6  |                 | 919.47       |
| G AND S **                                      | VIA P. CALAMANDREI 101/11<br>AREZZO 52100 ITALY  |                 | 57,233.33    |
| GRAND&TOY LIMITED                               | BOX 5500<br>DON MILLS ON M3C 3L5   |                 | 683.00       |
| GROUNDPROS LANDSCAPE<br>MANAGEMENT              | 6600-A KING VAUGHAN RD.<br>KLEINGBURG ON L0J 1C0   |                 | 4,239.76     |
| HANWOOL JEWELRY CO.,<br>LIMITED(QINGDAO) *      | LIGEZHANG TOWN<br>DAGUHE INDUSTRIAL PARK<br>JIAOZHOU CITY, QINGDAO - 266316 CHINA        | HANWOOL0001     | 13,639.84    |
| HONG DE ER CRAFTS CO.<br>LTD (QINGDAO) *        | CHENGYANG<br>SHIJIAPOZI VILLAGE, XIAZHANG ST.,<br>CHENGYANG DIST. QINGDAO - 266107 CHINA | HONGDE00001     | 496.00       |
| JEWELRY PRINCESS CO.,<br>LTD. *                 | THUNG MAHAMEK SATHORN<br>653/11 NARATHIWAT RATCHANAKARIN RD.<br>BANGKOK - 10120 THAILAND | SEVED1676       | 1,898.08     |
| JON FASHION<br>ACCESSORIES CO.,LIMITED<br>*     | LIGEZHANG TOWN<br>NO 65 DAGUHE STREET<br>JIAOZHAO -- CHINA                               | JONFASHION00001 | 17,051.16    |
| JTS INC *                                       | 131 WEST 35TH STREET, 11TH FLOOR<br>NEW YORK NY 10001 USA                                | JTSINC0001      | 4,811.87     |
| JUST I.T. SUPPLY INC.                           | 860 AUDLEY ROAD SOUTH<br>AJAX ON L1Z 1M4   |                 | 458.16       |

| List of Creditors with claims of \$250 or more. |  |              |              |
|---|--|--------------|--------------|
| Creditor  | Address  | Account#     | Claim Amount |
| LEACHGARNER *                                   | PO BOX 358<br>49 PEARL STREET<br>ATTLEBORO MA 02703 USA  | HALL01303    | 4,730.61     |
| LEE'S MFG *                                     | 160 NIAN TIC AVENUE<br>PROVIDENCE RI 02907 USA   | LEE'01377    | 7,279.97     |
| MARILENA JEWELLERY<br>IMPORT LTD.               | 10-3683 EAST HASTINGS ST.<br>VANCOUVER BC V5K 4Z7  |              | 78,072.16    |
| MAYCARD PACKAGING CO.,<br>LTD *                 | BALIYI-INDUSTRIAL GARDEN,<br>JIMO, QINGDAO -- CHINA  | MAYCARD0001  | 3,330.32     |
| MEGA PRODUCTS INC. *                            | 38 WEST 32ND STREET, ROOM 1506<br>NEW YORK NY 10001 USA  | MEGA01012    | 12,563.00    |
| MERIDIAN CREDIT UNION<br>LIMITED                | ATTN: DOUG ADAMS, COMM.BUS.CENTRE<br>200-797 MILNER AVENUE<br>TORONTO ON M1B 3C3                         |              | 1,500,000.00 |
| NOVELTY DESIGN INT'L<br>LIMITED *               | XIACANG, BEIYUAN INDUSTRIAL DISTRICT<br>BUILDING 23, SECTION C,<br>YIWU ZHEJIANG PROVINCE - 322000 CHINA | NOVELTY00001 | 12,777.59    |
| NOW COMPUTER<br>SOLUTIONS INC.                  | 1830 FOLKWAY DRIVE<br>MISSISSAUGA ON L4H 3B5   |              | 2,576.40     |
| OMEGA NETWORK<br>SOLUTIONS                      | 105-85 SCARSDALE RD<br>TORONTO ON M3B 2R2  |              | 386.48       |
| ORO18-DIV OF ORO AFRICA<br>(PTY) LTD *          | 170 BUITENGRACHT ST<br>CAPE TOWN, 8001 80010 SOUTH AFRICA  | ORO180001    | 16,298.23    |
| PACKPRO SYSTEMS INC.                            | 10 PAISLEY LANE<br>STOUFFVILLE ON L4A 7X4  |              | 4,915.57     |
| PANYU DIANA JEWELRY<br>COMPANY LIMITED *        | XIAOPING INDUSTRIAL ZONE,<br>2ND FL., THE SOUTHERN COMPREHENSIVE BLDG<br>GUANGZHOU CITY - 511400 CHINA   | DIANA00001   | 32,543.40    |
| PATROLMAN SECURITY<br>SERVICES INC              | 205-680 REXDALE BLVD.<br>ETOBICOKE ON M9W 0B5  |              | 7,876.10     |
| PRIORITY LABEL PROD.<br>LTD.                    | UNIT 41 & 42<br>151 NASHDENE ROAD<br>SCARBOROUGH ON M1V 4C2  |              | 5,336.19     |
| PURULATOR COURIER<br>LIMITED                    | 31 ADELAIDE STREET EAST<br>TORONTO ON M5C 3E2  |              | 24,529.37    |
| RG FLAIR CO. *                                  | 199 S. FEHR WAY<br>BAY SHORE NY 11706 USA  | RG F0985     | 14,726.62    |
| RONDO CO. LTD *                                 | 2ND FLOOR, BEIYUAN<br>NO.28, BACK SIDE OF JINGSHAN ROAD<br>YIWU, 322000 ZHEJIANG                         | RONDO0001    | 44,302.91    |

| List of Creditors with claims of \$250 or more.      |  |                 |              |
|--|--|-----------------|--------------|
| Creditor   | Address  | Account#        | Claim Amount |
| ROY TURK IND.  | 106 VULCAN STREET<br>ETOBICOKE ON M9W 1L2  |                 | 841.86       |
| ROYNAT INC.  | ATTN: GAURAV CHOPRA<br>1000-5160 YONGE STREET<br>TORONTO ON M2N 6L9                  |                 | 1,500,000.00 |
| SCATRAGLI, S.R.L.**                                  | VIA LEOPOLDO DI TOSCANA, 15, ALBERORO<br>AREZZO 52048 ITALY                          |                 | 3,386.39     |
| SJ ART&CRAFTS CO.,<br>LTD(QINGDAO) *                 | CHENGYANG TOWN<br>XIGUOZHUANG VILLAGE,<br>QINGDAO - 266109 CHINA                     | BOBJEWEL0001    | 71,524.26    |
| STERLING ORNAMENTS<br>PVT LTD *                      | NOIDA 201 305<br>PLOT NO 36 & JC-19, N.S.E.Z<br>NOIDA, UTTAR PRADESH 201305 INDIA    | STERLING00001   | 16,524.00    |
| T.A. MODE  | UNIT 1D<br>20 STEELCASE RD W<br>MARKHAM ON L3R 1B2                                   |                 | 311.20       |
| TAKHOI TRADING *                                     | AUSTIN PLAZA<br>ROOM 1605-1606, 83 AUSTIN ROAD<br>KOWLOON - HONG KONG                | TAKH01528       | 7,112.50     |
| TIANJING RONGSHIJI<br>IMPORT & EXPORT CO.<br>LTD., * | WUQING DEVELOPMENT AREA<br>BUILDING B, NO.28, QUANXING ROAD<br>TIANJIN 301700 CHINA  | TIANJING00001   | 1,543.00     |
| TUCHENG JEWELRY CO.<br>LTD (QINGDAO) *               | QIUJIA INDUSTRIAL ZONE, JIMO,<br>#17, YOUHE 2ND ROAD<br>JIMO, QINGDAO - 266200 CHINA | TUCHENGJLRY0001 | 382.00       |
| TYCO INTEGRATED<br>FIRE&SECURITY CANADA,<br>INC.     | 40 SHEPPARD AVE WEST<br>TORONTO ON M2N 6K9   |                 | 1,412.30     |
| UPS (TORONTO)  | P.O. BOX 4900, STATION A<br>TORONTO ON M5W 0A7                                       |                 | 255.58       |
| VC JEWELLERY-1867284<br>ONTARIO INC.                 | 38 BELVIA ROAD<br>ETOBICOKE ON M8W 3R3   |                 | 572.91       |
| W & M WIRE & METAL<br>PRODUCTS LTD                   | 2703 SLOUGH STREET<br>MISSISSAUGA ON L4T 1G2   |                 | 5,129.07     |
| WOORIM JEWELRY CO.,LTD<br>*                          | CHENGYANGZHEN,<br>DABEIQU XICUN,<br>QINGDAO, SHANDONG - CHINA                        | WOOR0001        | 2,332.00     |
| XIANGYUAN (QINGDAO)<br>JEWELRY *                     | ZHUJIANG 2RD,<br>CHENGNNAN INDUSTRIAL COMPLEX,<br>QINGDAO CITY, QINGDAO - CHINA      | FRECRAFT0001    | 12,303.96    |



| List of Creditors with claims of \$250 or more. |  |          |              |
|---|--|----------|--------------|
| Creditor  | Address                                    | Account# | Claim Amount |
| ZED JEWELERS INC.                               | 190 ROCKLAND STREET<br>MONTREAL ON H3P 2W5 |          | 838.93       |
| ZZEUROEXCH 1,3725                               |  |          | 22,580.85    |
| ZZUSEXCH 1,2010                                 |  |          | 91,185.97    |
| Total   |  |          | 4,022,663.63 |



**THIS IS EXHIBIT "B" REFERRED TO IN THE**  
**AFFIDAVIT OF**  
**MATTHEW LUNETTA**  
**SWORN**  
**THE 3<sup>RD</sup> DAY OF JUNE, 2015**

  
A Commissioner for taking affidavits, etc.

DANIEL PHILIP CIPOLLONE,  
a Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 8, 2016.



Industry Canada

Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada

Bureau du surintendant  
des faillites Canada

District of        Ontario  
Division No.    09 - Toronto  
Court No.       31-1995891  
Estate No.      31-1995891

In the Matter of the Notice of Intention to make a  
proposal of:

**Daco Manufacturing Ltd**  
Insolvent Person

**RICHTER ADVISORY GROUP INC / RICHTER GROUPE**  
**CONSEI**  
Trustee

---

Date of the Notice of Intention:                      May 19, 2015

---

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL  
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

---

Date: May 20, 2015, 08:35


E-File/Dépôt Electronique

Official Receiver

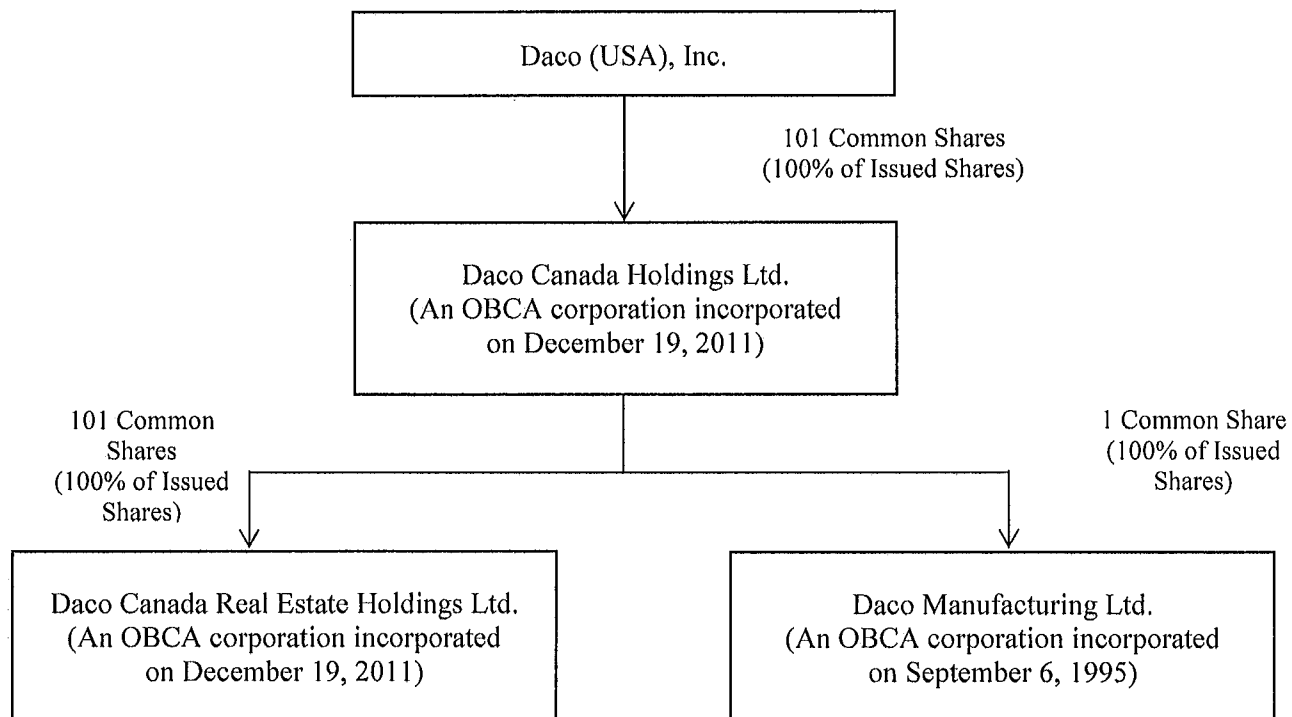
25 St. Clair Avenue East, 6th floor, Toronto, Ontario, Canada, M4T1M2, (877)376-9902

**Canada**


**THIS IS EXHIBIT "C" REFERRED TO IN THE**  
**AFFIDAVIT OF**  
**MATTHEW LUNETTA**  
**SWORN**  
**THE 3<sup>RD</sup> DAY OF JUNE, 2015**

  
A Commissioner for taking affidavits, etc.

L. CIPOLLONE,  
a Commissioner, etc., Province of Ontario,  
while a Student-at-Law,  
Expires April 8, 2016.

**AFFILIATION CHART**

**THIS IS EXHIBIT "D" REFERRED TO IN THE**  
**AFFIDAVIT OF**  
**MATTHEW LUNETTA**  
**SWORN**  
**THE 3<sup>RD</sup> DAY OF JUNE, 2015**

  
A Commissioner for taking affidavits, etc.

DANIEL PHILIP CIPOLLONE,  
a Commissioner, etc., **Province of Ontario,**  
while a Student-at-Law.  
Expires April 8, 2016.



PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
SEARCH RESULTS

Date Search Conducted: 5/21/2015  
File Currency Date: 05/20/2015  
Family(ies): 6  
Page(s): 11

SEARCH : Business Debtor : DACO MANUFACTURING LTD.

The attached report has been created based on the data received by Cyberbahn, a Thomson Reuters business from the Province of Ontario, Ministry of Government Services. No liability is assumed by Cyberbahn regarding its correctness, timeliness, completeness or the interpretation and use of the report. Use of the Cyberbahn service, including this report is subject to the terms and conditions of Cyberbahn's subscription agreement.

PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
SEARCH RESULTS

Date Search Conducted: 5/21/2015  
File Currency Date: 05/20/2015  
Family(ies): 6  
Page(s): 11

SEARCH : Business Debtor : DACO MANUFACTURING LTD.

FAMILY : 1 OF 6 ENQUIRY PAGE : 1 OF 11  
SEARCH : BD : DACO MANUFACTURING LTD.

00 FILE NUMBER : 631614015 EXPIRY DATE : 21DEC 2016 STATUS :  
01 CAUTION FILING : PAGE : 001 OF 1 MV SCHEDULE ATTACHED :  
REG NUM : 20061221 1018 8075 0674 REG TYP: P PPSA REG PERIOD: 10  
02 IND DOB : IND NAME:  
03 BUS NAME: DACO MANUFACTURING LTD. OCN :  
04 ADDRESS : 401 VAUGHAN VALLEY BLVD.  
CITY : WOODBRIDGE PROV: ONT POSTAL CODE: L4H 3B5  
05 IND DOB : IND NAME:  
06 BUS NAME: OCN :  
07 ADDRESS :  
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
ROYNAT INC.  
09 ADDRESS : 5160 YONGE STREET, SUITE 1000  
CITY : TORONTO PROV: ONT POSTAL CODE: M2N 2L9  
CONS. MV DATE OF OR NO FIXED  
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
10 X X X X X  
YEAR MAKE MODEL V.I.N.

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12  
GENERAL COLLATERAL DESCRIPTION

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14  
15  
16 AGENT: CHAITONS LLP (25672/MJH)  
17 ADDRESS : 185 SHEPPARD AVE. WEST  
CITY : TORONTO PROV: ONT POSTAL CODE: M2N 1M9



FAMILY : 1 OF 6 ENQUIRY PAGE : 2 OF 11  
 SEARCH : BD : DACO MANUFACTURING LTD.

FILE NUMBER 631614015

PAGE TOT REGISTRATION NUM REG TYPE  
 01 CAUTION : 001 OF 001 MV SCHED: 20131204 1148 1862 0535  
 21 REFERENCE FILE NUMBER : 631614015  
 22 AMEND PAGE: NO PAGE: X CHANGE: J OTHER REN YEARS: CORR PER:  
 23 REFERENCE DEBTOR/ IND NAME:  
 24 TRANSFEROR: BUS NAME: DACO MANUFACTURING LTD.

25 OTHER CHANGE: SUBORDINATION  
 26 REASON: REFERENCE FILE #631614015 IS HEREBY POSTPONED TO REFERENCE FILE  
 27 /DESCR: #667837503  
 28 :  
 02/05 IND/TRANSFEE:  
 03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:  
 CITY: PROV: POSTAL CODE:  
 29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :  
 CITY : PROV : POSTAL CODE :  
 CONS. MV DATE OF NO FIXED  
 GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE

10  
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16 NAME : MACDONALD SAGER MANIS LLP (SJS/LT) (#111223)  
 17 ADDRESS : 150 YORK STREET, SUITE 800  
 CITY : TORONTO PROV : ON POSTAL CODE : M5H 3S5

FAMILY : 2 OF 6 ENQUIRY PAGE : 3 OF 11  
 SEARCH : BD : DACO MANUFACTURING LTD.

00 FILE NUMBER : 667837503 EXPIRY DATE : 23FEB 2016 STATUS :  
 01 CAUTION FILING : PAGE : 001 OF 001 MV SCHEDULE ATTACHED :  
 REG NUM : 20110223 1109 1862 3169 REG TYP: P PPSA REG PERIOD: 5  
 02 IND DOB : IND NAME:  
 03 BUS NAME: DACO MANUFACTURING LTD.

OCN :

04 ADDRESS : 401 VAUGHAN VALLEY BLVD.  
 CITY : WOODBRIDGE PROV: ON POSTAL CODE: L4H 3B5  
 05 IND DOB : IND NAME:  
 06 BUS NAME: DACO (USA), INC.

OCN :

07 ADDRESS : 406 MCGOWEN STREET  
 CITY : HOUSTON PROV: TX POSTAL CODE: 77006

08 SECURED PARTY/LIEN CLAIMANT :  
 MERIDIAN CREDIT UNION LIMITED  
 09 ADDRESS : 797 MILNER AVENUE, SUITE 200  
 CITY : TORONTO PROV: ON POSTAL CODE: M1B 3C3  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
 10 X X X X X  
 YEAR MAKE MODEL V.I.N.

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GENERAL COLLATERAL DESCRIPTION

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16 AGENT: MACDONALD SAGER MANIS LLP (SJS/LT) (#111223)

17 ADDRESS : 150 YORK STREET, SUITE 800  
 CITY : TORONTO PROV: ON POSTAL CODE: M5H 3S5

FAMILY : 3 OF 6 ENQUIRY PAGE : 4 OF 11  
 SEARCH : BD : DACO MANUFACTURING LTD.

00 FILE NUMBER : 672614541 EXPIRY DATE : 31AUG 2016 STATUS :  
 01 CAUTION FILING : PAGE : 01 OF 001 MV SCHEDULE ATTACHED :  
 REG NUM : 20110831 1943 1531 6094 REG TYP: P PPSA REG PERIOD: 5

02 IND DOB : IND NAME:  
 03 BUS NAME: DACO MANUFACTURING LTD

OCN :

04 ADDRESS : 401 VAUGHAN VALLEY BOULEVARD  
 CITY : WOODBRIDGE PROV: ON POSTAL CODE: L4H 3B5  
 05 IND DOB : IND NAME:  
 06 BUS NAME:

OCN :

07 ADDRESS :  
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
 CBSC CAPITAL INC.

09 ADDRESS : 100-1235 NORTH SERVICE RD W  
 CITY : OAKVILLE PROV: ON POSTAL CODE: L6M 2W2  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
 10 X X X  
 YEAR MAKE MODEL V.I.N.

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GENERAL COLLATERAL DESCRIPTION

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16 AGENT: D+H LIMITED PARTNERSHIP

17 ADDRESS : SUITE 200, 4126 NORLAND AVENUE  
 CITY : BURNABY PROV: BC POSTAL CODE: V5G 3S8

FAMILY : 4 OF 6 ENQUIRY PAGE : 5 OF 11  
 SEARCH : BD : DACO MANUFACTURING LTD.

00 FILE NUMBER : 686231289 EXPIRY DATE : 19APR 2018 STATUS :  
 01 CAUTION FILING : PAGE : 01 OF 005 MV SCHEDULE ATTACHED :  
 REG NUM : 20130419 1956 1531 0544 REG TYP: P PPSA REG PERIOD: 5  
 02 IND DOB : IND NAME:  
 03 BUS NAME: DACO MANUFACTURING LTD

OCN :

04 ADDRESS : 401 VAUGHAN VALLEY BOULEVARD  
 CITY : WOODBRIDGE PROV: ON POSTAL CODE: L4H 3B5  
 05 IND DOB : IND NAME:  
 06 BUS NAME:

OCN :

07 ADDRESS :  
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
 CBSC CAPITAL INC.

09 ADDRESS : 3450 SUPERIOR COURT, UNIT 1  
 CITY : OAKVILLE PROV: ON POSTAL CODE: L6L 0C4  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
 10 X X X X X  
 YEAR MAKE MODEL V.I.N.

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#### GENERAL COLLATERAL DESCRIPTION

13 ALL PERSONAL PROPERTY OF THE DEBTOR FINANCED BY THE SECURED PARTY,  
 14 WHEREVER SITUATED, CONSISTING OF FOUR (4) CANON COPIERS, TOGETHER  
 15 WITH ALL PARTS AND ACCESSORIES RELATING THERETO, ALL ATTACHMENTS,  
 16 AGENT: D+H LIMITED PARTNERSHIP  
 17 ADDRESS : SUITE 200, 4126 NORLAND AVENUE  
 CITY : BURNABY PROV: BC POSTAL CODE: V5G 3S8

FAMILY : 4 OF 6 ENQUIRY PAGE : 6 OF 11  
 SEARCH : BD : DACO MANUFACTURING LTD.

00 FILE NUMBER : 686231289 EXPIRY DATE : 19APR 2018 STATUS :  
 01 CAUTION FILING : PAGE : 02 OF 005 MV SCHEDULE ATTACHED :  
 REG NUM : 20130419 1956 1531 0544 REG TYP: REG PERIOD:  
 02 IND DOB : IND NAME:  
 03 BUS NAME:

OCN :

04 ADDRESS :  
 CITY : PROV: POSTAL CODE:  
 05 IND DOB : IND NAME:  
 06 BUS NAME:

OCN :

07 ADDRESS :  
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
 CITY : PROV: POSTAL CODE:  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE

10 YEAR MAKE MODEL V.I.N.

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GENERAL COLLATERAL DESCRIPTION

13 ACCESSORIES AND ACCESSIONS THERETO OR THEREON, ALL REPLACEMENTS,  
 14 SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS OF ALL OR ANY PART OF THE  
 15 FOREGOING AND ALL PROCEEDS OF ANY FORM DERIVED THEREFROM, BEING ALL  
 16 AGENT:

17 ADDRESS :  
 CITY : PROV: POSTAL CODE:

FAMILY : 4 OF 6 ENQUIRY PAGE : 7 OF 11  
 SEARCH : BD : DACO MANUFACTURING LTD.

00 FILE NUMBER : 686231289 EXPIRY DATE : 19APR 2018 STATUS :  
 01 CAUTION FILING : PAGE : 03 OF 005 MV SCHEDULE ATTACHED :  
 REG NUM : 20130419 1956 1531 0544 REG TYP: REG PERIOD:

02 IND DOB : IND NAME:

03 BUS NAME: OCN :

04 ADDRESS :  
 CITY : PROV: POSTAL CODE:

05 IND DOB : IND NAME:

06 BUS NAME: OCN :

07 ADDRESS :  
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
 CITY : PROV: POSTAL CODE:  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE

10 YEAR MAKE MODEL V.I.N.

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GENERAL COLLATERAL DESCRIPTION

13 OF THE DEBTOR'S PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY WHICH  
 14 IS DERIVED, DIRECTLY OR INDIRECTLY, FROM ANY DEALING OR DISPOSITION  
 15 OF THE ABOVE-DESCRIBED COLLATERAL, INCLUDING WITHOUT LIMITATION, ALL  
 16 AGENT:

17 ADDRESS :  
 CITY : PROV: POSTAL CODE:

FAMILY : 4 OF 6 ENQUIRY PAGE : 8 OF 11  
 SEARCH : BD : DACO MANUFACTURING LTD.

00 FILE NUMBER : 686231289 EXPIRY DATE : 19APR 2018 STATUS :  
 01 CAUTION FILING : PAGE : 04 OF 005 MV SCHEDULE ATTACHED :  
 REG NUM : 20130419 1956 1531 0544 REG TYP: REG PERIOD:

02 IND DOB : IND NAME:

03 BUS NAME:

OCN :

04 ADDRESS :

CITY : PROV: POSTAL CODE:

05 IND DOB : IND NAME:

06 BUS NAME:

OCN :

07 ADDRESS :

CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :

CITY : PROV: POSTAL CODE:

CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE

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YEAR MAKE MODEL V.I.N.

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GENERAL COLLATERAL DESCRIPTION

13 INSURANCE AND OTHER PAYMENTS PAYABLE AS INDEMNITY OR COMPENSATION

14 FOR LOSS OR DAMAGE THERETO, ACCOUNTS, RENTS OR OTHER PAYMENTS

15 ARISING FROM THE LEASE OF THE ABOVE-DESCRIBED COLLATERAL, GOODS,

16 AGENT:

17 ADDRESS :

CITY : PROV: POSTAL CODE:

FAMILY : 4 OF 6 ENQUIRY PAGE : 9 OF 11  
 SEARCH : BD : DACO MANUFACTURING LTD.

00 FILE NUMBER : 686231289 EXPIRY DATE : 19APR 2018 STATUS :  
 01 CAUTION FILING : PAGE : 05 OF 005 MV SCHEDULE ATTACHED :  
 REG NUM : 20130419 1956 1531 0544 REG TYP: REG PERIOD:  
 02 IND DOB : IND NAME:  
 03 BUS NAME:

OCN :

04 ADDRESS :  
 CITY : PROV: POSTAL CODE:  
 05 IND DOB : IND NAME:  
 06 BUS NAME:

OCN :

07 ADDRESS :  
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
 CITY : PROV: POSTAL CODE:  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
 10  
 YEAR MAKE MODEL V.I.N.

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GENERAL COLLATERAL DESCRIPTION

13 CHATTEL PAPER, INVESTMENT PROPERTY, DOCUMENTS OF TITLE, INSTRUMENTS,  
 14 MONEY, CHEQUES, DEPOSITS, SECURITIES AND INTANGIBLES.

15

16 AGENT:

17 ADDRESS :  
 CITY : PROV: POSTAL CODE:



FAMILY : 5 OF 6 ENQUIRY PAGE : 10 OF 11  
 SEARCH : BD : DACO MANUFACTURING LTD.

00 FILE NUMBER : 686914929 EXPIRY DATE : 14MAY 2023 STATUS :  
 01 CAUTION FILING : PAGE : 001 OF 001 MV SCHEDULE ATTACHED :  
 REG NUM : 20130514 1610 1862 5404 REG TYP: P PPSA REG PERIOD: 10  
 02 IND DOB : IND NAME:  
 03 BUS NAME: DACO MANUFACTURING LTD.

OCN :

04 ADDRESS : 401 VAUGHAN VALLEY BOULEVARD  
 CITY : WOODBRIDGE PROV: ON POSTAL CODE: L4H 3B5  
 05 IND DOB : IND NAME:  
 06 BUS NAME:

OCN :

07 ADDRESS :  
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
 DACO USA INC.

09 ADDRESS : 401 VAUGHAN VALLEY BOULEVARD  
 CITY : WOODBRIDGE PROV: ON POSTAL CODE: L4H 3B5  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
 10 X X X X X  
 YEAR MAKE MODEL V.I.N.

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GENERAL COLLATERAL DESCRIPTION

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16 AGENT: BORDEN LADNER GERVAIS LLP (J.F. DYCK)

17 ADDRESS : 40 KING STREET WEST, SUITE 4400  
 CITY : TORONTO PROV: ON POSTAL CODE: M5H 3Y4

FAMILY : 6 OF 6 ENQUIRY PAGE : 11 OF 11  
 SEARCH : BD : DACO MANUFACTURING LTD.

00 FILE NUMBER : 706070322 EXPIRY DATE : 13MAY 2018 STATUS :  
 01 CAUTION FILING : PAGE : 001 OF 001 MV SCHEDULE ATTACHED :  
 REG NUM : 20150513 1152 1862 8055 REG TYP: P PPSA REG PERIOD: 3  
 02 IND DOB : IND NAME:  
 03 BUS NAME: DACO MANUFACTURING LTD.

OCN : 1146138

04 ADDRESS : 401 VAUGHAN VALLEY BOULEVARD  
 CITY : WOODBRIDGE PROV: ON POSTAL CODE: L4H 3B5  
 05 IND DOB : IND NAME:  
 06 BUS NAME:

OCN :

07 ADDRESS :  
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
 COUNTER INTELLIGENCE MERCHANDISING INC.

09 ADDRESS : 333 NORTH RIVERMEDE ROAD NO. 1  
 CITY : CONCORD PROV: ON POSTAL CODE: L4K 3N7  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE

10 X  
 YEAR MAKE MODEL V.I.N.

11

12

GENERAL COLLATERAL DESCRIPTION

13 CONDITIONAL SALES AGREEMENT

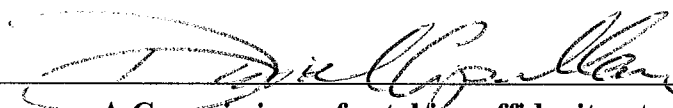
14

15

16 AGENT: HOWARD SHAIN, MARKOFF & SHAIN LLP

17 ADDRESS : 8920 WOODBINE AVENUE, SUITE 202  
 CITY : MARKHAM PROV: ON POSTAL CODE: L3R 9W9

**THIS IS EXHIBIT "E" REFERRED TO IN THE**  
**AFFIDAVIT OF**  
**MATTHEW LUNETTA**  
**SWORN**  
**THE 3<sup>RD</sup> DAY OF JUNE, 2015**

  
A Commissioner for taking affidavits, etc.

**DANIEL PHILIP CIPOLLONE,**  
a Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 8, 2016.



Ontario

ServiceOntario

LAND

REGISTRY  
OFFICE #65

PARCEL REGISTER (ABBREVIATED) FOR PROPERTY IDENTIFIER

PAGE 1 OF 2

PREPARED FOR Alexandria01  
ON 2015/05/29 AT 12:42:59

03317-0239 (LIT)

\* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT \* SUBJECT TO RESERVATIONS IN CROWN GRANT \*

PROPERTY DESCRIPTION: PT BLK 24, PL 65M3627, PTS 4 & 5, PL 65R26964; VAUGHAN. S/T EASE OVER PT 4, PL 65R26964, AS IN YR236746. S/T RT FOR 10 YRS FROM 2005/02/17 AS IN YR601598.

PROPERTY REMARKS:

ESTATE/QUALIFIER:

FREE SIMPLE

ABSOLUTE

RECENTLY:

DIVISION FROM 03317-0165

PIN CREATION DATE:

2005/03/21

OWNERS' NAMES

DACO MANUFACTURING LTD.

CAPACITY SHARE

NC

| REG. NUM.  | DATE       | INSTRUMENT TYPE    | AMOUNT    | PARTIES FROM  | PARTIES TO                      | CERT/<br>CHKD |
|--|------------|--------------------|-----------|---|---------------------------------|---------------|
| ** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE: 2005/03/21 **                                 |            |                    |           |   |                                 |               |
| R263616  | 1980/12/22 | AGREEMENT          |           |   |                                 |               |
| REMARKS: AFFECTS ALL/PT VARIOUS LANDS - ADDED 2002/10/25 BY LOIS YAKIMCHUK   |            |                    |           |   |                                 |               |
| YR159983   | 2002/06/18 | NOTICE             |           |   | ROYBRIDGE HOLDINGS LIMITED      | C             |
| REMARKS: SITE PLAN AGREEMENT, INDETERMINATE PERIOD AFFECTS ALL/PT VARIOUS LANDS - ADDED 2002/10/25 BY LOIS YAKIMCHUK |            |                    |           |   |                                 |               |
| YR236746   | 2002/11/26 | TRANSFER EASEMENT  | \$2       | ROYBRIDGE HOLDINGS LIMITED  | HYDRO VAUGHAN DISTRIBUTION INC. | C             |
| YR239661   | 2002/11/29 | NO SUB AGREEMENT   |           | THE CORPORATION OF THE CITY OF VAUGHAN                              | ROYBRIDGE HOLDINGS LIMITED      | C             |
| YR240953   | 2002/12/04 | NOTICE             |           | HYDRO VAUGHAN DISTRIBUTION INC.                                     | ROYBRIDGE HOLDINGS LIMITED      | C             |
| 65M3627  | 2002/12/16 | PLAN SUBDIVISION   |           |   |                                 | C             |
| 65R26964   | 2004/04/15 | PLAN REFERENCE     |           |   |                                 | C             |
| YR456630   | 2004/04/21 | BYLAW              |           | THE CORPORATION OF THE CITY OF VAUGHAN                              |                                 | C             |
| REMARKS: TO EXEMPT PART OF PL 65M3627 FROM PART LOT CONTROL  |            |                    |           |   |                                 |               |
| YR55980  | 2004/11/08 | CHARGE             |           | *** DELETED AGAINST THIS PROPERTY ***<br>ROYBRIDGE HOLDINGS LIMITED | HSBC BANK CANADA                |               |
| YR55981  | 2004/11/08 | NO ASSIGN RENT GEN |           | *** DELETED AGAINST THIS PROPERTY ***<br>ROYBRIDGE HOLDINGS LIMITED | HSBC BANK CANADA                |               |
| REMARKS: YR558960  |            |                    |           |   |                                 |               |
| YR601228   | 2005/02/17 | APL ANNEX REST COV |           | ROYBRIDGE HOLDINGS LIMITED  |                                 | C             |
| REMARKS: FOR 20 YRS 2005/03/21   |            |                    |           |   |                                 |               |
| YR601598   | 2005/02/17 | TRANSFER           | \$725,175 | ROYBRIDGE HOLDINGS LIMITED  | DACO MANUFACTURING LTD.         | C             |

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.  
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.



Ontario

ServiceOntario

LAND  
REGISTRY  
OFFICE #65

PARCEL REGISTER (ABBREVIATED) FOR PROPERTY IDENTIFIER

PAGE 2 OF 2  
PREPARED FOR Alexandra01  
ON 2015/05/29 AT 12:42:59

03317-0239 (LT)

\* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT \* SUBJECT TO RESERVATIONS IN CROWN GRANT \*

| REG. NUM.                        | DATE       | INSTRUMENT TYPE | AMOUNT      | PARTIES FROM  | PARTIES TO                    | CERT/<br>CHKD |
|----------------------------------|------------|-----------------|-------------|---|-------------------------------|---------------|
| REMARKS: PLANNING ACT STATEMENT  |            |                 |             |   |                               |               |
| YR602135                         | 2005/02/18 | DISCH OF CHARGE |             | *** DELETED AGAINST THIS PROPERTY ***<br>HSBC BANK CANADA |                               |               |
| REMARKS: RE: YR658980            |            |                 |             |   |                               |               |
| YR656398                         | 2005/06/23 | CHARGE          |             | *** COMPLETELY DELETED ***<br>DACO MANUFACTURING LTD.     | LAURENTIAN BANK OF CANADA     |               |
| YR746810                         | 2005/12/09 | CHARGE          |             | *** COMPLETELY DELETED ***<br>DACO MANUFACTURING LTD.     | NATIONAL BANK OF CANADA       |               |
| YR753415                         | 2005/12/21 | DISCH OF CHARGE |             | *** COMPLETELY DELETED ***<br>LAURENTIAN BANK OF CANADA   |                               |               |
| REMARKS: RE: YR656398            |            |                 |             |   |                               |               |
| YR931037                         | 2006/12/29 | CHARGE          | \$2,400,000 | DACO MANUFACTURING LTD.                                   | ROINAT INC.                   | C             |
| YR931124                         | 2006/12/29 | CHARGE          |             | *** COMPLETELY DELETED ***<br>DACO MANUFACTURING LTD.     | LAURENTIAN BANK OF CANADA     |               |
| YR934465                         | 2007/01/10 | DISCH OF CHARGE |             | *** COMPLETELY DELETED ***<br>NATIONAL BANK OF CANADA     |                               |               |
| REMARKS: RE: YR746810            |            |                 |             |   |                               |               |
| YR1613322                        | 2011/02/23 | CHARGE          | \$2,500,000 | DACO MANUFACTURING LTD.                                   | MERIDIAN CREDIT UNION LIMITED | C             |
| YR1618550                        | 2011/03/08 | DISCH OF CHARGE |             | *** COMPLETELY DELETED ***<br>LAURENTIAN BANK OF CANADA   |                               |               |
| REMARKS: YR931124.               |            |                 |             |   |                               |               |
| YR2290409                        | 2015/05/13 | NOTICE          | \$2         | COUNTER INTELLIGENCE MERCHANDISING INC.                   |                               |               |
| REMARKS: DELETE AFTER 2018/05/13 |            |                 |             |   |                               |               |
| YR2295642                        | 2015/05/27 | APL (GENERAL)   |             | COUNTER INTELLIGENCE MERCHANDISING INC.                   |                               |               |

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.  
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

LRO # 65 Application (General)

Received as YR2295642 on 2015 05 27 at 13:07

The applicant(s) hereby applies to the Land Registrar.

yyyy mm dd Page 1 of 1

**Properties**

**PIN** 03317 - 0239 LT  
**Description** PT BLK 24, PL 65M3627, PTS 4 & 5, PL 65R26964; VAUGHAN. S/T EASE OVER PT 4, PL 65R26964, AS IN YR236746. S/T RT FOR 10 YRS FROM 2005/02/17 AS IN YR601598.  
**Address** VAUGHAN

**Applicant(s)**

**Name** COUNTER INTELLIGENCE MERCHANDISING INC.  
**Address for Service** 333 North Rivermede Road #1  
Concord, Ontario L4K 3N7

I, Barry Reznick, President, have the authority to bind the corporation.  
This document is not authorized under Power of Attorney by this party.

**Statements**

Schedule: The Applicant hereby applies to have the Notice registered as Instrument No. YR2290409 on May 13, 2015 deleted from the Parcel Register for PIN No. 03317-0239 (LT). I, Howard I. Shain, solicitor for the Applicant hereby state that all required consents to the release have been obtained.

**Signed By**

Howard Ian Shain 8920 Woodbine Ave., Suite 202 acting for Signed 2015 05 27  
Markham Applicant(s)  
L3R 9W9

Tel 905-752-1446  
Fax 905-752-1453

I have the authority to sign and register the document on behalf of the Applicant(s).

**Submitted By**

MARKOFF & SHAIN LLP 8920 Woodbine Ave., Suite 202 2015 05 27  
Markham  
L3R 9W9

Tel 905-752-1446  
Fax 905-752-1453

**Fees/Taxes/Payment**

**Statutory Registration Fee** \$60.00  
**Total Paid** \$60.00

**File Number**

**Applicant Client File Number :** 9062-025

LRO # 65 Notice

Registered as YR2290409 on 2015 05 13 at 16:37

The applicant(s) hereby applies to the Land Registrar.

yyyy mm dd Page 1 of 1

**Properties**

PIN 03317 - 0239 LT  
 Description PT BLK 24, PL 65M3627, PTS 4 & 5, PL 65R26964; VAUGHAN. S/T EASE OVER PT 4, PL 65R26964, AS IN YR236746. S/T RT FOR 10 YRS FROM 2005/02/17 AS IN YR601598.  
 Address VAUGHAN

**Consideration**

Consideration \$2.00

**Applicant(s)**

The notice is based on or affects a valid and existing estate, right, interest or equity in land

Name COUNTER INTELLIGENCE MERCHANDISING INC.  
 Address for Service 333 North Rivermede Road # 1  
 Concord, Ontario L4K 3N7

I, Barry Reznick, President, have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

**Statements**

This notice is pursuant to Section 71 of the Land Titles Act.

This notice may be deleted by the Land Registrar after 2018/05/13

Schedule: I confirm that the applicant have an unregistered estate, right, interest or equity in the land described as all of PIN No. 03317-0239 (LT). The land is registered in the name of Daco Manufacturing Ltd., and I hereby apply under Section 71 of the Land Titles Act for the entry of a Notice in the register for the said parcel.

**Signed By**

Howard Ian Shain 8920 Woodbine Ave., Suite 202 acting for Signed 2015 05 13  
 Markham Applicant(s)  
 L3R 9W9

Tel 905-752-1446

Fax 905-752-1453

I have the authority to sign and register the document on behalf of the Applicant(s).

**Submitted By**

MARKOFF & SHAIN LLP 8920 Woodbine Ave., Suite 202 2015 05 13  
 Markham  
 L3R 9W9

Tel 905-752-1446

Fax 905-752-1453

**Fees/Taxes/Payment**

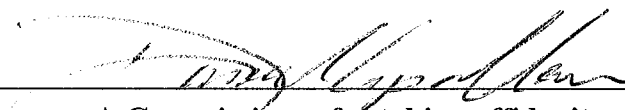
Statutory Registration Fee \$60.00

Total Paid \$60.00

**File Number**

Applicant Client File Number : 9062-025

**THIS IS EXHIBIT "F" REFERRED TO IN THE  
AFFIDAVIT OF  
MATTHEW LUNETTA  
SWORN  
THE 3<sup>RD</sup> DAY OF JUNE, 2015**

  
A Commissioner for taking affidavits, etc.

DANIEL PHILIP CIPOLLONE,  
a Commissioner, etc., **Province of Ontario,**  
while a Student-at-Law.  
Expires April 8, 2016.



Meridian Credit Union  
Greater Toronto Area  
Commercial Business Centre

797 Milner Avenue, Unit 200  
Toronto, Ontario, M1B 3C3  
tel: 416-438-9351  
fax: 416-438-3023  
contact centre: 1-866-592-2226  
meridlancu.ca

Your money. Your way. Imagine that.™



July 9, 2014

Daco Manufacturing Ltd.  
401 Vaughan Valley Blvd.  
Vaughan, Ontario  
L4H 3B5

Attention Mrs. Sheila Vanderkam:

**Re: Credit Agreement**

On the basis of the financial and other information provided to us, Meridian Credit Union Limited ("**Meridian**") has authorized the following credit facilities ("**Credit Facilities**") on the terms and conditions set out below. This agreement ("**Credit Agreement**") cancels and supersedes all such previous agreements. The attached Schedule A is an integral part of this Credit Agreement.

**BORROWER:** Daco Manufacturing Ltd. ("**Member**")

|  |                    |  |             |
|--|--------------------|--|-------------|
| <b>CREDIT<br/>FACILITIES<br/>AND AMOUNT:</b> | 1. Operating Line: | To a maximum of  | \$1,500,000 |
|  |                    | [utilization is not to exceed the Margin Amount as defined in this agreement specified in Conditions below]<br>{Currently including a Letter of Credit under Daco Canada Real Estate Holding Ltd. in the amount of \$56,538} |             |

|                 |                    |  |
|-----------------|--------------------|--|
| <b>PURPOSE:</b> | 1. Operating Line: | For regular ongoing working capital requirements and a Letter of Credit. |
|-----------------|--------------------|--|

|              |                    |           |
|--------------|--------------------|-----------|
| <b>TERM:</b> | 1. Operating Line: | On demand |
|--------------|--------------------|-----------|

**INTEREST RATES:** Interest on the daily principal balance of the Credit Facilities shall be, unless otherwise specified, computed daily, compounded monthly, and accrue at an annual rate equal to:

|                    |   |
|--------------------|---|
| 1. Operating Line: | Prime Rate plus 1.50%. Prime Rate is currently 3.00%. |
|--------------------|---|

**REPAYMENT:** All Credit Facilities, unless otherwise noted, are available on a demand basis only. Any prepayment shall be subject to the provisions of Schedule A.

1. Operating Line: Revolving with minimum monthly payments of interest.

**CREDIT FEES:** Arrangement Fee: \$500 to be collected and to be non-refundable upon signed acceptance of this Credit Agreement.

Administration Fees: An annual administration fee of \$3,000 payable within 30 days following each fiscal year end and a monthly administration of \$200 payable within 10 days following each calendar month end for review and monitoring of the account on an ongoing basis.

Amendment Fees: Amendments to authorized Credit Facility, as requested by the Member, will be subject to a minimum fee to be determined by Meridian per request, subject to the complexity and circumstances of each request as mutually agreed upon between the Member and Meridian.

Additional Fees: Covenant Breaches/Late Reporting/Events of Default – will each be subject to a minimum fee to be determined by Meridian, per occurrence where such condition has not previously been approved by Meridian in writing.

**EXPENSES:** The Member shall pay all reasonable legal fees and disbursements in respect of this Credit Agreement, the preparation and issue of the Security Documents, the enforcement and preservation of Meridian's rights and remedies, and all reasonable fees and costs relating to appraisals, insurance consultation, credit reporting and responding to demands of any government or any agency or department thereof, whether or not the documentation is completed or any funds are advanced under this Credit Agreement.

**SECURITY:** The present and future indebtedness and liability of the Member to Meridian shall be secured by the following security, evidenced by documents in form satisfactory to Meridian (collectively, the "**Security Documents**") registered or recorded as required by Meridian in first position (unless specifically noted or consented to otherwise), and provided prior to any advances or availability being made under this Credit Agreement.

a) General Security Agreement executed by Daco Manufacturing Ltd.

b) Collateral Second Mortgage for \$2,500,000 registered in the name of Daco Manufacturing Ltd., on the property and buildings located at 401 Vaughan Valley Blvd., Vaughan, Ontario. Notwithstanding the face amount of the mortgage being registered as security, the Borrower acknowledges that the Lender has made no commitment to provide additional funding.

- c) Assignment of Business Interruption Insurance.
- d) Assignment of Fire and Liability Insurance, indicating Meridian as second loss payee or second mortgagee on the subject property. The first insurance is to be on a full replacement basis with no cross liability.
- e) Joint and Several Guarantee and Postponement of Claim in favour of Meridian in the amount of \$500,000 provided by Sheila Vanderkam.
- f) Corporate Guarantee and Postponement of Claim in favour of Meridian in an unlimited amount provided by Daco (USA) Inc. with resolution supported by:
  - a. General Security Agreement providing a charge over all present and after acquired assets of the Daco (USA) Inc. (Shareholder withdrawals are permissible as long as they do not create a breach in any of the Covenants.)
- g) Corporate Guarantee and Postponement of Claim in favour of Meridian in an unlimited amount provided by Daco Canada Real Estate Holdings Ltd. with resolution

**CONDITIONS:**

The initial and continued availability of the Credit Facilities is contingent upon compliance and satisfaction of each of the following conditions and covenants together with those set out in the Security Documentation and Schedule A until such time as all debts and liabilities under this Credit Agreement have been discharged in full and each of the Credit Facilities have been withdrawn by Meridian:

Delivery  
Conditions:

Meridian shall have received each of the following:

- a) Duly executed copy of this Credit Agreement;
- b) Payment of the Arrangement Fee;
- c) All the Security Documents duly authorized, executed and delivered and registered or recorded as Meridian may require;
- d) Such financial and other information or documents relating to the Member as Meridian may reasonably require.

Margin  
Amount:

Member shall ensure that the amount outstanding under the Operating Line shall not at any time exceed the aggregate of the following (without duplication) less the amount of Potential Preferred Claims (the "**Margin Amount**")

- a) 80 % of the amount of \*Blue Chip Acceptable Receivables and 75 % of the amount of Acceptable Receivables, net of:
  - i. any portion outstanding for greater than 90 days,
  - ii. the amount of all holdbacks, contra accounts or rights of set-off on the part of any account debtor,
  - iii. all amounts due from affiliates of the Member,
  - iv. any accounts subject to any security interest or other encumbrance ranking or capable of ranking in priority to Meridian's Security Documents,
  - v. any priority claims to suppliers (accounts payable less than 30 days)

- vi. any accounts due from an account debtor located in a foreign jurisdiction
- b) priority payables, claims purporting to have priority over Meridian; plus
- c) 20% of the amount of Acceptable Inventory, capped at \$750,000; plus
  - Blue Chip consists of the following:
    - Walmart Canada
    - Loblaw Companies
    - Shoppers Drug Mart
    - Katz Group-Rexall

Reporting  
Covenants:

The Member shall provide Meridian with each of the following:

- a) Annual Financial Statements, C.A. Prepared, Combined Review Engagement to be provided within 120 days of fiscal year end for Daco Group of Companies.
- b) Annual Financial Statements, C.A. Prepared, Compiled to be provided within 120 days of fiscal year end for Daco Canada Real Estate Holdings Ltd., Daco Canada Holdings Ltd. and Daco Manufacturing Ltd.
- c) Annual Financial Statements for Daco (U.S.A.) Inc. within 120 days of fiscal year end for Daco Manufacturing Ltd.
- d) Quarterly Financial Statements, internally prepared, to be provided within 45 days of quarter end.
- e) Aged schedule of Accounts Receivable and Accounts Payable summaries to be provided monthly within 25 days of month-end.
- f) Signed LOC Margin Report to be provided monthly.
- g) Annual Budget to be provided concurrently with Annual Financial Statements, to include P&L, Balance Sheet and Cash Flow Statement presented on an annual basis.
- h) Confirmation satisfactory to Meridian that the realty taxes and insurance on 401 Vaughan Valley Blvd., Vaughan, Ontario are current.
- i) Updated Personal Net Worth statement of Sheila Vanderkam on a bi-annual basis.

Financial  
Covenants:

The Member will:

Quarterly Test:

Maintain a minimum a Current Ratio of 1.30:1.00.

Defined as: Current Assets less Intangibles  
Current Liabilities

Maintain Leverage: Debt to Effective Net Worth < 1.50:1.00.

*Defined as: Total Debt – Postponed Shareholder Loans  
Shareholder Equity + Postponed Shareholder Loans -  
Related Party Loans – Intangibles*

Annual Test:

Maintain a minimum Interest Coverage of x200%.

*Defined as: EBIT (Net Income + Taxes + Interest)  
LOC Interest + Interest on Long Term Debt*

The latest calculation of the above financial covenant, as confirmed by financial reports provided for the year ending June 30, 2013, were as follows:

Interest Coverage was negative.

We agree, subject to the terms of this letter, to not take any action to enforce our rights under the Credit Agreement at this time. Meridian expressly reserves all of its right and remedies under the Credit Agreement and to take such action as it may consider appropriate and does not waive its right to enforce any of the default provision of the Credit Agreement now or at any time in the future

Although Meridian acknowledges the above noted financial covenants are offside, they are to be restored by June 30, 2014 fiscal year end.

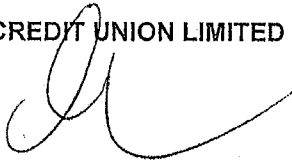
**EVENTS OF DEFAULT**

See Schedule A.

Kindly indicate your acceptance of this Credit Agreement by signing and returning to us the enclosed duplicate of this letter by no later than August 15, 2014, at which point this letter and all agreements contained herein shall become null and void.

Yours truly,

**MERIDIAN CREDIT UNION LIMITED**



Doug Adams  
Account Manager, Commercial Services



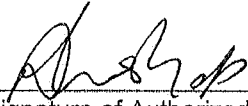
Zenon Iwachiw  
Regional Vice President,  
Commercial Services

Will the above Credit Facilities be used on behalf of or by another party? No ☒ Yes ☐  
 (if Yes has been checked please ensure that a New Product Form – Business is completed)

#### ACKNOWLEDGEMENT:

The arrangements set out above are hereby acknowledged and accepted by:

#### Daco Manufacturing Ltd.

  
 Signature of Authorized Officer  
 (I have the authority to bind the Corporation)

DEEPAK KASHYAP - PRESIDENT  
 Name/Title

July 30/2014  
 Date

Signature of Authorized Officer  
 (I have the authority to bind the Corporation)

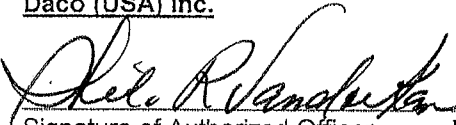
Name/Title

Date

#### GUARANTORS

Each of the Guarantors hereby acknowledges and confirms that it understands all the terms & conditions contained therein with respect to its respective Guarantee and Postponement of Claim:

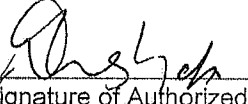
#### Daco (USA) Inc.

  
 Signature of Authorized Officer  
 (I have the authority to bind the Corporation)

Sheila Vanderkam  
 CEO - PROSPER  
 Name & Title

July 30/2014  
 Date


#### Daco Canada Real Estate Holdings Ltd.

  
 Signature of Authorized Officer  
 (I have the authority to bind the Corporation)

DEEPAK KASHYAP - PRESIDENT  
 Name & Title

July 30/2014  
 Date

#### Sheila Vanderkam

  
 Guarantor Signature

July 30/2014  
 Date

## SCHEDULE "A" TO CREDIT AGREEMENT

The credit commitment as described in the Credit Agreement shall be governed by the following terms and conditions:

### **Definitions**

For the purpose of the Credit Agreement, the following terms shall have the meanings indicated below:

**"Acceptable Inventory"** means the lower of cost or net realizable value, as determined by Meridian from a review of the most recent financial statements and inventory declaration provided by the Member, of all materials owned by the Member for resale or for production of goods for resale, as defined by International Financial Reporting Standards ("IFRS"), all of which the security constituted by the Security Documents shall rank as a valid first mortgage, first ranking transfer or first security interest and which is not subject to any security interest or other encumbrance or any other right or claim which ranks or is capable of ranking in priority to the security constituted by the Security Documents including, without limitation, rights of unpaid suppliers under the *Bankruptcy and Insolvency Act* (Canada) to repossess inventory within 30 days after delivery.

**"Acceptable Receivables"** means the aggregate of accounts receivable of the Member, as defined by GAAP and as determined by the most recent financial statements and/or aged list of accounts receivable of the Member, over which the security constituted by the Security Documents shall rank as a valid first assignment or first security interest, from customers approved by Meridian.

**"Business Day"** means a day upon which Meridian is open for business;

**"Credit Agreement"** means the letter from Meridian to the Member to which this Schedule is attached, together with this Schedule, and includes all amendments and replacements thereof;

**"Government Authority"** means any government legislature, regulatory authority, agency, commission, board or court or other law, regulation or rule making entity having or purporting to have jurisdiction on behalf of any nation, state, country or other subdivision;

**"Guarantors"** means the party or parties that are to execute a guarantee or guarantees of the indebtedness of the Member to Meridian as part of the Security Documents;

**"Legal Requirement"** means all laws, statutes, codes, ordinances, orders, awards, judgments, decrees, injunctions, rules, regulations, authorizations, consents, approvals, orders, permits, franchises, licenses, directions and requirements of any Governmental Authority;

**"Prime Rate"** means the floating annual rate of interest established and recorded as such by Meridian from time to time as a reference rate for purposes of determining rates of interest it will charge on loans denominated in Canadian dollars;

**"COF Rate"** means the fixed annual rate of interest established and recorded as such by Meridian from time to time as being the aggregate cost of the requested funds on an annual fixed rate basis for a period of 30, 60, 90, or 180 days or 1, 2, 3, 4 or 5 years, as selected by the Member (but maturing not later than the final date for payment of the subject Loan, in any event), including dealer commissions and such reserves as are applicable;

**"US Base Rate"** means the annual rate of interest established and recorded as such by Meridian from time to time as a reference rate for purposes of determining rates of interest it will charge on loans denominated in United States dollars.

**"Potential Preferred Claims"** means, at any time and from time to time, all claims secured by a lien created by or arising under statute or regulation or arising under common law without the explicit consent of the obligor, which rank or are capable of ranking prior to or *pari passu* with the security constituted by the Security Documents against all or any part of property and assets secured thereby, whether then existing or, in Meridian's sole judgment, likely to arise including, without limitation, claims on amount of unremitted source deductions, income tax, goods and services tax, sales tax, workers compensation premiums, director liabilities and such other claims given priority to the claims of secured creditors or excluded from the property of a bankrupt divisible among creditors under the *Bankruptcy and Insolvency Act (Canada)*.

### **Acknowledgement**

The Member acknowledges that the actual recording of the amount of any advance or repayment thereof under the Loan(s), and interest, fees and other amounts due in connection with the Loan(s), in an account of the Member maintained by Meridian shall constitute *prima facie* evidence of the Member's indebtedness and liability from time to time under the Loan(s); provided that the obligation of the Member to repay any indebtedness and liability in accordance with the terms and conditions of the Loan(s) shall not be affected by the failure of Meridian to make such recording. The Member also acknowledges being indebted to Meridian for principal amounts shown as outstanding from time to time in Meridian's account records, and all accrued and unpaid interest in respect of such amounts, in accordance with the terms and conditions of this Credit Agreement.

### **Governing Law**

This Credit Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.

### **Currency**

All dollar amounts expressed in this Credit Agreement shall refer to Canadian Dollars unless otherwise specified.

### **Authorization**

The Member for good and valuable consideration authorizes Meridian to accept Telecopier and electronic communications on behalf of the Member as full and sufficient authority to act in accordance with communications as received by Meridian from the Member.

The Member shall be bound by all such telecopier and electronic communications from itself in the same manner and extent as if such communications were originally handwritten and signed by the Member, and the Member shall hold Meridian at all times fully indemnified from all claims and demands in respect of all such instructions, in the event such telecopier and electronic communications, were made without authority or otherwise.

### **Interest, Fees and Payment**

- (a) Interest on the daily balance of principal advanced under the Credit Agreement and remaining unpaid from time to time shall be payable by the Member as set out in the Credit Agreement both before and after default and judgment;
- (b) The fees collected by Meridian shall be its property as consideration for the time, effort and expense incurred by it in the review of documents and financial statements, and the Member acknowledges and agrees that the determination of these costs is not feasible and that the fees set out in the Credit Agreement represent a reasonable estimate of such costs;



- (c) Any amounts which become payable to Meridian under the Credit Agreement or the Security Documents and which are not paid when due shall accrue interest and be payable from the due date at an annual rate equal to Meridian's Prime Rate plus 5%, compounded and payable monthly on the last day of each month, both before and after default and judgment, if no other interest rate is expressed for such amounts;
- (d) In the event Meridian authorizes for the Member a higher debit balance than the maximum amount authorized under this agreement, the Member agrees to repay such excess amount on demand with interest at Meridian's prescribed rate for such excess advances from time to time, being **21** per cent per annum at the present time. Such excess amounts are deemed to be secured by any security taken by Meridian pursuant to the terms hereof and all payments or credits to the account of the Member shall be deemed to have been applied first to the repayment of any such excess amounts.
- (e) All payments by the Member to Meridian shall be made at the address of the branch of Meridian set out on the Credit Agreement or at such other place as Meridian may specify in writing from time to time. Any payment delivered or made to Meridian by **3:00 p.m.** local time at the place where such payment is to be made shall be credited as of that day, but if made afterwards shall be credited as of the next day on which the said branch is open for business;
- (f) Notwithstanding anything to the contrary contained in the Credit Agreement, Meridian may, in its discretion, make an advance under the Credit Facility to pay any unpaid interest or fees which have become due under the terms of the Credit Agreement;
- (g) The obligation of the Member to make all payments under the Credit Agreement and the Security Documents shall be absolute and unconditional and shall not be limited or affected by any circumstance, including, without limitation:
  - (i) any set-off, compensation, counterclaim, recoupment, defense or other right which the Member may have against Meridian or anyone else for any reason whatsoever; or
  - (ii) any insolvency, bankruptcy, reorganization or similar proceedings by or against the Member.

### **Prepayment**

**Floating Rate Loans:** Permitted at any time without penalty.

**Fixed Rate Loans:** The Member may not make any payments in addition to those required on the stipulated dates prior to the term maturity date except for an annual prepayment provision, not exceeding 10% of the original principal amount. This right of prepayment is not cumulative such that if the Member does not use this privilege in a calendar year, the Member cannot carry forward this right of prepayment for that calendar year to any following calendar year.

Any additional prepayment, in whole or in part, will be applied in inverse order of maturity, by payment in full of all outstanding principal, interest, applicable expenses and discharge costs, and subject to a prepayment penalty consisting of the greater of:

- (a) three months interest, based on the unpaid principal balance as at the payout date,
- and
- (b) the interest rate differential, being an amount calculated by multiplying the difference between the "existing" annual interest rate and the then "current" <sup>\*</sup> annual interest rate as at prepayment date, by the unpaid principal balance as at the requested payout date, and calculated with respect to the remaining portion of the term of the loan.

<sup>\*</sup> defined and based on COF Rate for a term closest to the remaining term of the loan, plus applicable Interest rate spread similar to that used for existing rate

### **Credit Covenants**

In addition to the covenants previously set out, each of the following shall apply until all the Credit Facilities are repaid in full and cancelled:

- (a) The Member will:
  - (i) maintain its membership with Meridian while any portion of the facilities remain outstanding or committed. A \$25.00 share deposit is required;
  - (ii) permit Meridian or associated agents access at all reasonable times to any premises where collateral covered Meridian security may be located and Meridian or its agents may inspect such collateral and all related documents and records; and
  - (iii) agree that Meridian will provide all day to day business banking services for the Member.
- (b) The Member shall not, without the prior written consent of Meridian:
  - (i) grant or allow any lien, charge, privilege, hypothec or other encumbrance, whether fixed or floating, to be registered against or exist on any of its assets, and in particular, without limiting the generality of the foregoing, shall not grant a trust deed or other instrument in favour of a trustee;
  - (ii) become guarantor or endorser or otherwise become liable upon any note or other obligation other than in the normal course of business of the Member;
  - (iii) declare or pay dividends on any class or kind of its shares, repurchase or redeem any of its shares or reduce its capital in any way whatsoever or repay any shareholders' advances. Such approval will not be unreasonably withheld so long as financial results and account performance is satisfactory; or
  - (iv) amalgamate with or permit all or substantially all of its assets to be acquired by any other person, firm or corporation or permit any reorganization or change of control of the Member.
- (c) The scheduled property tax payments are to be paid up to date at all times.
- (d) Insurance coverage is to be maintained, sufficient to substantially replace all assets in the event of loss.
- (e) The regular rent/lease payments on all rented/leased premises are to be maintained up to date at all times.
- (f) Meridian shall have the right to waive the delivery of any Security Documents or the performance of any term or condition of the Credit Agreement, and may advance all or any portion of the Credit Facility prior to satisfaction of any of the aforesaid conditions precedent, but any such waiver by Meridian of any obligation or condition shall not constitute a waiver of such obligation or condition for any future advance.
- (g) All financial terms and covenants shall be determined in accordance with GAAP, applied consistently.
- (h) Any amount payable by the Member to Meridian under the Credit Agreement or the Security Documents may be debited to any account of the Member with Meridian.

### **Events of Default**

Without limiting the entitlement of Meridian to direct repayment at any time of any Credit Facility repayable upon demand upon the occurrence of any one of the following "Events of Default," Meridian may, by written notice to the Member, declare all the unpaid principal of and accrued interest for all Credit Facilities to be due and payable whereupon the same shall become due and payable forthwith.

- (a) The Member fails to make any payment of interest or principal when due pursuant to this Credit Agreement;
- (b) There is a breach by the Member of any other term or condition contained in this Credit Agreement;
- (c) A representation and warranty contained herein is incorrect in any material respect;
- (d) Any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other proceedings for the relief of debtors are instituted by or against the Member and, if instituted against the Member, are allowed against or consented to by the Member or are not dismissed or stayed within five (5) days after such institution;
- (e) There occurs or is reasonably likely to occur, in the sole discretion of Meridian:
  - (i) a material adverse change in the financial condition of the Member.
  - (ii) an unacceptable change in ownership of the Member.
  - (iii) legal implications detrimental to the affairs of the Member.
- (f) Any default occurs under any Security Document or under any other credits or loan agreements to which the Member is a party;
- (g) The Member is in default in making a payment of any other indebtedness incurred, assumed or guaranteed by it and the effect of such default is to permit the holder of such obligation to cause such obligation to become due prior to its stated maturity;
- (h) Meridian in good faith believes that the ability of the Member to pay any of its obligations to Meridian or to perform any of the covenants contained herein is impaired or the security referred to herein is impaired or is in jeopardy.

### **Representations**

The Member represents and warrants that:

- (a) The Member has full power, authority and legal right to borrow in the manner and on the terms and conditions set out in this Credit Agreement, to execute and deliver the acceptance of this letter and to carry out the terms and conditions of this Credit Agreement and the security referred to herein;
- (b) The execution and delivery of the acceptance of this Credit Agreement and the carrying out of the terms of this Credit Agreement and of the Security Documents do not violate any law, order or regulation applicable to the Member and have been (will be) duly and validly authorized by the Member;
- (c) This Credit Agreement as accepted and the Security Documents as delivered are valid and are legally enforceable against the Member in accordance with their respective terms except to the extent that the enforcement thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditor's rights generally;

- (d) The Member is not in default under the provisions of any agreement evidencing, guaranteeing or relating to any outstanding indebtedness or liability and the execution of the acceptance of this Credit Agreement and the delivery of the Security Documents will not constitute a breach of any agreement to which the Member is a party;
- (e) There are no actions, suits or proceedings pending or threatened against the Member before any court or government department, commission, board or agency which, if determined adversely, would have a material adverse effect on the financial condition of the Member.
- (f) Representations and Covenants re: Hazardous Substances
  - (i) To the best of the Member's knowledge after due and diligent inquiry, no regulated, hazardous or toxic substances are being stored on any of the Member's premises (the "**Premises**") or any adjacent property, nor have any such substances been stored or used on the Premises or any adjacent property prior to the Member's ownership, possession or control of the Premises. The Member agrees to provide written notice to Meridian immediately upon the Member becoming aware that the Premises or any adjacent property are being or have been contaminated with regulated, hazardous or toxic substances. The Member will not permit any activities on the Premises which directly or indirectly could result in the Premises or any other property being contaminated with regulated, hazardous or toxic substances. For the purposes of the Credit Agreement, the term "regulated, hazardous or toxic substances" means any substance, defined or designated as hazardous or toxic wastes, hazardous or toxic material, a hazardous, toxic or radioactive substance or other similar term, by any applicable federal, provincial or local statute, regulation or ordinance now or in the future in effect, or any substance or materials, the use or disposition of which is regulated by any such statute, regulation or ordinance;
  - (ii) The Member shall promptly comply with all statutes, regulations and ordinances, and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction, relating to the use, collection, storage, treatment, control, removal or cleanup of regulated, hazardous or toxic substances in, on, or under the Premises or in, on or under any adjacent property that becomes contaminated with regulated, hazardous or toxic substances as a result of construction, operations or other activities on, or the contamination of, the Premises, or incorporated in any improvements thereon. Meridian may, but shall not be obligated to, enter upon the Premises and take such actions and incur such costs and expenses to effect such compliance as it deems advisable and the Member shall reimburse Meridian on demand for the full amount of all costs and expenses incurred by Meridian in connection with such compliance activities; and
  - (iii) The assets of the Member which are now or in the future encumbered by the Security Documents are hereby further mortgaged and charged to Meridian, and Meridian shall have a security interest in such assets, as security for the repayment of such costs and expenses and interest thereon, as if such costs and expenses had originally formed part of the Credit Agreement.
- (g) Representations and Covenants re: Environmental Issues
  - (i) To the best of the Member's knowledge, any property mortgaged does not contain any pollutants, dangerous substances, liquid waste, industrial waste, toxic substances, hazardous wastes, hazardous materials, hazardous substances or contaminants. To the best of the Member's knowledge, after due inquiry and investigation, none of these substances have ever been released into the environment as a result of any of the activities conducted on the property mortgaged and future usage will be limited to environmentally acceptable activities in compliance with all current and future applicable international, federal, provincial or municipal laws, by-laws, statutes, regulations, orders, permits or judgements, relating to the environment or occupational health and safety ("**Environmental Laws**");

- (ii) There are no claims, actions, investigations, liens, prosecutions, notices, work orders, control orders, stop orders or directives, written or oral, ("**Orders**") of any kind issued or pending by any third party, court or international, federal, provincial or municipal ministry, department or agency ("**Environmental Authority**") which enforces current and future applicable international, federal, provincial or municipal laws, by-laws, statutes, regulations, orders, permits or judgements, relating to the environment or occupational health and safety ("**Environmental Laws**") with respect of any activities of the Member, or any property owned by the Member, past or present, as they relate to any and all Environmental Laws. To the best of the Member's knowledge, there are no circumstances, current or contemplated, which might give rise to any such Order;
- (iii) To the best of the Member's knowledge, after due inquiry and investigation, any property mortgaged and its existing and prior uses comply and have at all times complied with all Environmental Laws.

The Member shall pay, at the Member's sole cost and expense, the entire cost of any environmental audit deemed necessary by Meridian in Meridian's sole discretion. Such audit shall be performed by a duly licensed engineer acceptable to Meridian. The scope of any environmental audit shall be at Meridian's sole discretion. The auditor performing the environmental audit, its employees and agents shall be granted full access to the property mortgaged and all buildings thereon to perform any testing or investigation deemed necessary by the auditor in the auditor's sole discretion.

The Member shall ensure that the representations and warranties of the Member are true and correct at this time and throughout the term of the Credit Facilities.

#### **Waiver or Variation**

No term or condition of the Credit Agreement or any of the Security Documents may be waived or varied orally or by any course of conduct of any officer, employee or agent of Meridian. Any amendment to the Credit Agreement or the Security Documents must be in writing and signed by a duly authorized officer of Meridian.

#### **Credit Reporting**

The Member and each Guarantor consent to Meridian obtaining from any credit reporting agency or from any person such information as Meridian may require at any time, and consents to the disclosure at any time of any information concerning the Member and any Guarantor to any credit grantor with whom the Member and any Guarantor has financial relations or to any credit reporting agency.

#### **Time of Essence**

Time shall be of the essence of this Credit Agreement.

#### **Survival**

All terms, conditions, representations and warranties of this letter shall survive the closing of the credit facilities contemplated and neither the preparation, nor registration or any documents related to the transaction shall bind Meridian to advance funds under the commitment.

#### **No Merger**

It is understood and agreed that the execution and delivery of the mortgage and other security documents shall in no way merge or extinguish this Credit Agreement or its terms and conditions.

The terms and conditions of this Credit Agreement shall continue in full force and effect; provided however, in the case of any inconsistency between the provisions of this Credit Agreement, and the provisions of any of the Security Agreements, the provisions of this Credit Agreement shall prevail.

**Assignment**

This Credit Agreement and the Security Documents may not be assigned, transferred or otherwise disposed of by the Member without the prior written consent of Meridian, which consent may be arbitrarily withheld. Meridian may, without notice to and without the consent of the Member or any Guarantor, assign, syndicate, securitize, transfer or grant participation interests in the whole or any part of this Credit Agreement, the Credit Facilities, the Security Documents and any and all right, title, benefits, remedies and obligations relating thereto. The Member and each Guarantor agrees to co-operate with Meridian in connection with any such assignment, syndication, securitization, transfer or grant of participation interests including, without limitation, the delivery of an Estoppel certificate in a form satisfactory to Meridian.

**Notices**

Any notices contemplated herein shall be in writing given by authenticated Telecopier or electronic, and any such notice, shall be deemed to have been given when sent.



Meridian Credit Union  
Greater Toronto Area  
Commercial Business Centre

797 Milner Avenue, Unit 200  
Toronto, Ontario, M1B 3C3  
tel: 416-438-9351  
fax: 416-438-3023  
contact centre: 1-866-592-2226  
meridiancu.ca

Your money. Your way. Imagine that.™



December 30, 2014

Daco Manufacturing Ltd  
401 Vaughan Valley Blvd.  
Vaughan, Ontario  
L4H 3B5

Attention Mrs. Sheila Vanderkam:

**Re: Credit Agreement Amendment**

Meridian hereby refers to the letter from Meridian to Daco Manufacturing Ltd. (the "Member") dated July 9, 2014 accepted by the Member on July 30, 2014 (collectively the "Credit Agreement").

Subject to your acceptance hereof, the Credit Agreement is hereby amended as follows:

- 1) The interest rate on the Operating Line will now be Prime + 1.75%

In all other respects, the Credit Agreement remains in full force and effect unamended.

If the foregoing is satisfactory to you, please sign and return to us the enclosed copy of this letter by the close of business on January 16, 2015.

Yours truly,

**MERIDIAN CREDIT UNION LIMITED**

A handwritten signature in black ink, appearing to be "Doug Adams", written over a horizontal line.

Doug Adams  
Director, Commercial Services

A handwritten signature in black ink, appearing to be "Zenon Iwachiw", written over a horizontal line.

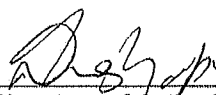
Zenon Iwachiw  
Regional Vice President,  
Commercial Services

**ACKNOWLEDGEMENT:**

The arrangements set out above are hereby acknowledged and accepted by:



**Daco Manufacturing Ltd.**

  
 Signature of Authorized Officer  
 (I have the authority to bind the Corporation)

DGEERAK KASHYAP, PRESIDENT  
 Name/Title

Jan 7/2015  
 Date

\_\_\_\_\_  
 Signature of Authorized Officer  
 (I have the authority to bind the Corporation)

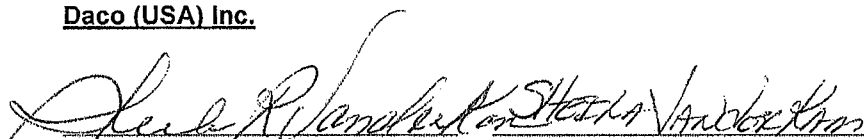
\_\_\_\_\_  
 Name/Title

\_\_\_\_\_  
 Date

**GUARANTORS**

Each of the Guarantors hereby acknowledges and confirms that it understands the arrangements set out above.

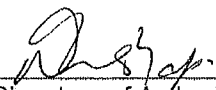
**Daco (USA) Inc.**

  
 Signature of Authorized Officer  
 (I have the authority to bind the Corporation)

\_\_\_\_\_  
 Name & Title

Jan. 7, 2015  
 Date

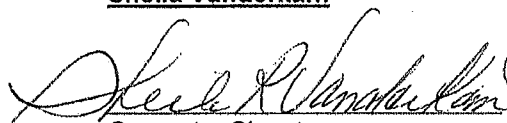
**Daco Canada Real Estate Holdings Inc.**

  
 Signature of Authorized Officer  
 (I have the authority to bind the Corporation)

DGEERAK KASHYAP, PRESIDENT  
 Name & Title

Jan. 7/2015.  
 Date

**Sheila Vanderkam**

  
 Guarantor Signature

Jan. 7, 2015  
 Date





December 30, 2014

Daco Manufacturing Ltd  
401 Vaughan Valley Blvd.  
Vaughan, Ontario  
L4H 3B5

Attention Mrs. Sheila Vanderkam:

**Re: Forbearance Letter**

We refer to the letter from Meridian Credit Union Limited ('Meridian') to Daco Manufacturing Ltd (the "Member") dated July 9<sup>th</sup>, 2014 and accepted by the Member on July 30<sup>th</sup>, 2014

We also refer to the discussions between yourselves and representatives of Meridian with regard to the operation of your accounts, the overall financial performance of the Member's operations and our concern over the same.

Our concerns include, but are not limited to, the following:

- 1) Interest Coverage Ratio for the fiscal year ending June 30, 2014 was in breach. Interest coverage ratio was a negative number in light of operating losses recorded versus a stipulated covenant of 200%

Meridian is prepared at the present to continue providing credit on the terms and conditions of the Credit Agreement, subject to no further defaults occurring, to no further deterioration in the Member's position and subject to strict compliance with the following terms and conditions:

Defaults are to be corrected by June 30, 2015, as evidenced by interim reporting and year-end financial statements to be provided by no later than October 31, 2015.


An administrative fee of \$500 is payable upon receipt of this letter and will be debited from the account of the Member with Meridian.

To evidence your acknowledgement of and concurrence to the forgoing, kindly sign and return to us the enclosed copy of this letter by the close of business on January 16<sup>th</sup>, 2015.

Yours truly,

**MERIDIAN CREDIT UNION LIMITED**

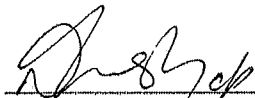
  
\_\_\_\_\_  
Doug Adams  
Director, Commercial Services

  
\_\_\_\_\_  
Zenon Iwachiw  
Regional Vice President,  
Commercial Services

**ACKNOWLEDGEMENT:**

The arrangements set out above are hereby acknowledged and accepted by:

**Daco Manufacturing Ltd.**

  
 Signature of Authorized Officer  
 (I have the authority to bind the Corporation)

DEEPAK KASHYAP, PRESIDENT  
 Name/Title

Jan 7/2015  
 Date

\_\_\_\_\_  
 Signature of Authorized Officer  
 (I have the authority to bind the Corporation)

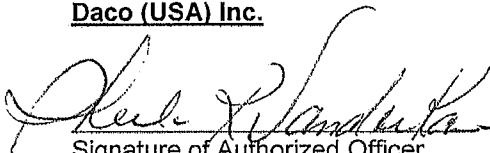
\_\_\_\_\_  
 Name/Title

\_\_\_\_\_  
 Date

**GUARANTORS**

Each of the Guarantors hereby acknowledges and confirms that it understands the arrangements set out above.


**Daco (USA) Inc.**

  
 Signature of Authorized Officer  
 (I have the authority to bind the Corporation)

SHEILA VANDERKAM CEO  
 Name & Title

Jan 7, 2015  
 Date

**Daco Canada Real Estate Holdings Inc.**

  
 Signature of Authorized Officer  
 (I have the authority to bind the Corporation)

DEEPAK KASHYAP, PRESIDENT  
 Name & Title

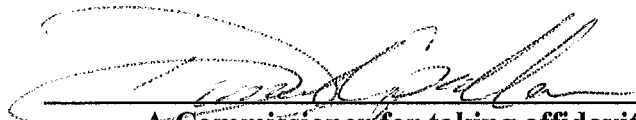
Jan. 7/2015  
 Date

**Sheila Vanderkam**

  
 Guarantor Signature

Jan 7, 2015  
 Date

**THIS IS EXHIBIT "G" REFERRED TO IN THE  
AFFIDAVIT OF  
MATTHEW LUNETTA  
SWORN  
THE 2<sup>nd</sup> DAY OF JUNE, 2015**

  
**A Commissioner for taking affidavits, etc.**

**DANIEL PHILIP CIPOLLONE,**  
a Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 8, 2016.

THIS SECURITY AGREEMENT (as amended, modified, renewed, supplemented, replaced or extended from time to time, this "Agreement") dated as of February 13, 2011, is made by and between DACO MANUFACTURING LTD. (the "Assignor"), and MERIDIAN CREDIT UNION LIMITED (the "Lender").

The Assignor hereby enters into this General Security Agreement with the Lender for valuable consideration and as security for the repayment and discharge of all indebtedness, obligations and liabilities of any kind, now or hereafter existing, direct or indirect, absolute or contingent, joint or several, of the Assignor to the Lender, whosoever and howsoever incurred whether as principal or surety, together with all expenses (including legal fees on a solicitor and client basis) incurred by the Lender, its receiver or agent in the preparation, perfection and enforcement of security or other agreements held by the Lender in respect of such indebtedness, obligations or liabilities and interest thereon (all of which present and future indebtedness, obligations, liabilities, expenses and interest are herein collectively called the "Indebtedness").

**A. Grant of Security Interests**

1. The Assignor hereby grants to the Lender, by way of mortgage, charge, assignment and transfer, a security interest (the "Security Interest") in the undertaking of the Assignor and in all property, real and personal, including, without limitation, all Goods (including all parts, accessories, attachments, special tools, additions and accessions thereto), Accounts, Chattel Paper, Documents of Title (whether negotiable or not), Instruments, Intangibles, Money, Securities, Investment Property, now or hereafter owned or acquired by or on behalf of the Assignor and in all proceeds and renewals thereof, accretions thereto and substitutions therefor (hereinafter collectively call the "Collateral") including without limitation, all of the following now or hereafter owned or acquired by or on behalf of the Assignor:
  - (i) all Inventory of whatever kind and wherever situate;
  - (ii) all Equipment of whatever kind and wherever situate including, without limitation, all machinery, tools, apparatus, plant furniture, fixtures and vehicles of whatsoever nature or kind;
  - (iii) all accounts and book debts and generally all debts, accounts receivable, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured including letters of credit, guarantees and advices of credit which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by the Assignor;
  - (iv) all deeds, documents, writings, papers, books of account and other books relating to or being records of Accounts, Chattel Paper or Documents of Title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;
  - (v) all contractual rights and insurance claims and all goodwill, patents, trademarks, copyrights and other industrial property;
  - (vi) all monies other than trust monies lawfully belonging to others;
  - (vii) all property and assets, real and personal, moveable or immoveable, of whatsoever nature and kind; and
  - (viii) all present and future investment property held by the Assignor, including securities, shares, options, rights, warrants, joint venture interests, interests in limited partnerships, trust units, bonds, debentures and all other documents which constitute evidence of a share, participation, or other interest of the Assignor in property or in a enterprise or which constitute evidence of an obligation of the issuer, together with all accretions thereto, all substitutions therefor, all dividends and income derived therefrom and all rights and claims in respect thereof.
2. The Security Interest hereby created shall not extend or attach to (i) any personal property held in trust by the Assignor and lawfully belonging to others or (ii) any property of the Assignor that constitutes consumer goods for the personal use of the Assignor; or (iii) the last day of the term of any lease, oral or written or agreement therefor, now held or hereafter acquired by the Assignor, provided that upon the enforcement of the Security Interest the Assignor shall stand possessed of such last day in trust to assign and dispose of the same to any person acquiring such term. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed thereto in the PFSA.

**B. Attachment**

3. The Assignor warrants and acknowledges that the Assignor and the Lender intend the Security Interest in existing Collateral to attach upon the execution of this General Security Agreement; that value has been given; that the Assignor has rights in such existing Collateral; and that the Assignor and the Lender intend the Security Interest in hereafter acquired Collateral to attach at the same time as the Assignor acquires rights in the said after acquired Collateral.

**C. Representations and Warranties of Assignor**

4. The Assignor hereby represents and warrants to the Lender that:
  - (a) the Collateral is genuine and owned by the Assignor, with good and marketable title, free of all security interests, mortgages, liens, claims, charges or other encumbrances (collectively hereinafter called "Encumbrances"), save for the Security Interest.
  - (b) no person has any right, title, claim or interest (by way of security interest or other lien) in, against or to the Collateral.
  - (c) all information heretofore, herein or hereafter supplied to the Lender by or on behalf of the Assignor with respect to the Collateral is accurate and complete in all material respects.
  - (d) the Assignor has delivered to the Lender all instruments and chattel paper and other items of Collateral in which a security interest is or may be perfected by possession, together with such additional writings, including assignments, with respect thereto as the Lender shall request.
  - (e) all of the patents, trade-marks, and copyrights of the Assignor have been registered or applied to be registered with the United States Patent and Trademark Office, the United States Copyright Office or the Canadian Intellectual Property Office, as appropriate.

- (f) the Assignor's chief executive office is in the Province of Ontario and the Assignor's records concerning the Collateral are located at its chief executive office.
- D. **Covenants and Agreements of Assignor**
5. The Assignor hereby covenants and agrees with the Lender that until all of the Indebtedness is paid in full:
- (a) the Assignor shall not without the prior written consent of the Lender sell or dispose of any of the Collateral in the ordinary course of business or otherwise, and if the amounts on or in respect of the Collateral or Proceeds thereof shall be paid to the Assignor, the Assignor shall receive the same in trust for the Lender and forthwith pay over the same to the Lender upon request; provided however that the inventory of the Assignor may be sold or disposed of in the ordinary course of business and for the purpose of carrying on the same;
  - (b) the Assignor shall not without the prior written consent of the Lender create or permit any Encumbrances upon or assign or transfer as security or pledge or hypothecate as security the Collateral except to the Lender;
  - (c) the Assignor shall at all times have and maintain insurance over the Collateral against risks of fire (including extended coverage), theft, and such risks as the Lender may reasonably require in writing, containing such terms, in such form, for such periods and written by such companies as may be reasonably satisfactory to the Lender. The Assignor shall duly and reasonably pay all premiums and other sums payable for maintaining such insurance and shall cause the insurance money thereunder to be payable to the Lender as its interest hereunder may appear and shall, if required, furnish the Lender with certificates or other evidence satisfactory to the Lender of compliance with the foregoing insurance provisions. In the event that Assignor fails to pay all premiums and other sums payable in accordance with the foregoing insurance provision, the Lender may make such payments to be repayable by the Assignor on demand and any such payments made by the Lender shall be secured hereby;
  - (d) the Assignor shall keep the Collateral in good condition and repair according to the nature and description thereof, and the Lender may, whenever it deems necessary, either in person or by agent, inspect the Collateral and the reasonable cost of such inspection shall be paid by the Assignor and secured hereby and the Lender may make repairs as it deems necessary and the cost thereof shall be paid by the Assignor and secured hereby;
  - (e) the Assignor shall duly pay all taxes, rates, levies, assessments of every nature which may be lawfully levied, assessed or imposed against or in respect of the Assignor or the Collateral as and when the same become due and payable;
  - (f) the Assignor agrees that the Lender may, at any time, whether before or after a default under this General Security Agreement, notify any account Borrower of the Assignor of the Security Interest, require such account Borrower to make payment to the Lender, take control of any Proceeds of Collateral and may hold all amounts received from any account Borrower and any Proceeds as part of the Collateral and as security for the Indebtedness;
  - (g) the Assignor shall prevent the Collateral from becoming an accession to any personal property not subject to this agreement or becoming affixed to any real property, without the prior written consent of the Lender.
  - (h) the Assignor shall from time to time deliver to the Lender promptly upon request (and, if so requested, from time to time as they are acquired by the Assignor) all items of Collateral comprising Chattel Paper, Instruments, Investment Property (to the extent certificated) and those Documents of Title which are negotiable.
  - (i) the Assignor shall pay or reimburse the Lender for all costs and expenses of the Lender, its agents, officers and employees (including, without limitation, legal fees and disbursements on a substantial indemnity basis) incurred with respect to:
    - (i) the preparation, perfection, execution and filing of this agreement and the filing of financing statement(s) and financing change statement(s) with respect to this agreement;
    - (ii) any person engaged by the Lender to conduct an inspection of the collateral; and
    - (iii) dealing with other creditors of the Assignor in connection with the establishment, confirmation, amendment or preservation of the priority of the Security Interest;
 such costs and expenses to be payable by the Assignor to the Lender on demand, to bear interest at the highest rate per annum borne by any of the Indebtedness, calculated and compounded monthly, and (with all such interest) to be added to and form part of the Indebtedness.
  - (j) the Assignor shall promptly notify the Lender in writing of the details of:
    - (i) any amendment to its articles, including without limitation by virtue of the filing of articles of amalgamation, effecting a change in the Assignor's name or authorizing it to use a French version of its name;
    - (ii) any claim, litigation or proceedings before any court, administrative board or other tribunal which either does or could have a material adverse effect on the Collateral or the Assignor;
    - (iii) any claim, lien, attachment, execution or other process or encumbrance made or asserted against or with respect to the Collateral which either does or could have a material adverse effect on the Security Interest;
    - (iv) any transfer of the Assignor's interest in the Collateral, whether or not permitted hereunder; or
    - (v) any material loss of or damage to the Collateral, whether or not such loss or damage is covered by insurance.
  - (k) if any of the Collateral consists of Investment Property, (a) the Assignor authorizes the Lender to transfer such Collateral or any part thereof into its own name or that of its nominee so that the Lender or its nominee may appear of record as the sole owner thereof; provided, that so long as no event of default has occurred, the Lender shall deliver promptly to the Assignor all notices, statements or other communications received by it or its nominee as such registered owner, and upon demand and receipt of payment of necessary

expenses thereof, shall give to the Assignor or its designee a proxy or proxies to vote and take all action with respect to such property; provided further that after the occurrence of an event of default, the Assignor waives all rights to be advised of or to receive any notices, statements or communications received by the Lender or its nominee as such record owner, and agrees that no proxy or proxies given by the Lender to the Assignor or its designee as aforesaid shall thereafter be effective; and (b) the Assignor further agrees to execute such other documents and to perform such other acts, and to cause any issuer or securities intermediary to execute such other documents and to perform such other acts as may be necessary or appropriate in order to give the Lender "control" of such Investment Property, as defined in the *Securities Transfer Act, 2006* (Ontario), which "control" shall be in such manner as the Lender shall designate in its sole judgment and discretion, including, without limitation, an agreement by any issuer or securities intermediary that it will comply with instructions in the case of an issuer or entitlement orders in the case of a securities intermediary, originated by the Lender, whether before or after the occurrence of an event of default, without further consent by the Assignor.

6. The Assignor shall at all times and from time to time do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered any such further act, deed, transfer, assignment, assurance, document or instrument as the Lender may reasonably require for the better granting, mortgaging, charging, assigning and transferring unto the Lender the property and assets hereby subjected or intended to be subject to the Security Interest or which the Assignor may hereafter become bound to mortgage, charge, assign, transfer or subject to the Security Interest in favour of the Lender for the better accomplishing and effectuating of this General Security Agreement and the provisions contained herein and each and every officer of the Lender is irrevocably appointed attorney to execute in the name and on behalf of the Assignor any document or instrument for the said purposes.
7. The Assignor shall permit the Lender at any time, either in person or by agent, to inspect the Assignor's books and records pertaining to the Collateral. The Assignor shall at all times upon request by the Lender furnish the Lender with such information concerning the Collateral and the Assignor's affairs and business as the Lender may reasonably request including, without limitation, lists of Inventory and Equipment and lists of Accounts showing the amounts owing upon each Account and securities therefor and copies of all financial statements, books and accounts, invoices, letters, papers and other documents in any way evidencing or relating to the Accounts.
8. The Assignor acknowledges and agrees that, in the event it amalgamates with any other corporation or corporations, it is the intention of the parties hereto that the term "Assignor" when used herein shall apply to each of the amalgamating corporations and to the amalgamated corporation, such that the Security Interest granted hereby:
  - (i) shall extend and attach to "Collateral" (as that term is herein defined) owned by each of the amalgamating corporations and the amalgamated corporation at the time of amalgamation and to any "Collateral" thereafter owned or acquired by the amalgamated corporation;
  - (ii) shall secure the "Indebtedness" (as that term is herein defined) of each of the amalgamating corporations and the amalgamated corporation to the Lender at the time of amalgamation and any "Indebtedness" of the amalgamated corporation to the Lender thereafter arising.
- E. **Default**
9. The Assignor shall be in default under this General Security Agreement upon the occurrence of any one of the following events:
  - (a) the nonpayment by the Assignor, when due, whether by acceleration or otherwise, of any of the Indebtedness;
  - (b) the death or a declaration of incompetency by a court of competent jurisdiction with respect to the Assignor, if an individual;
  - (c) the failure of the Assignor to observe or perform any covenant, undertaking or agreement heretofore or hereafter given to the Lender, whether contained herein or not;
  - (d) an execution or any other process of the Court becomes enforceable against the Assignor or a distress or an analogous process is levied upon the property of the Assignor or any part thereof;
  - (e) the Assignor becomes insolvent, commits an act of bankruptcy, makes an assignment in bankruptcy or a bulk sale of its assets, any proceeding for relief as a Assignor or liquidation, re-assignment or winding-up is commenced with respect to the Assignor or an application for a bankruptcy order is filed or presented against the Assignor and is not bona fide opposed by the Assignor;
  - (f) the Assignor ceases to carry on business;
  - (g) any representation or warranty of the Assignor contained herein or in any document or certificate furnished in connection herewith proves to have been untrue in any material respect at the time in respect of which it was made;
  - (h) an encumbrancer, whether permitted or otherwise, takes possession of any significant portion of the Collateral;
  - (i) an order is made or legislation enacted for the expropriation, confiscation, forfeiture, escheating or other taking or compulsory divestiture, whether or not with compensation, of all or a significant portion of the Collateral unless the same is being actively and diligently contested by the Assignor in good faith, the Assignor shall have provided to the Lender such security therefor as it may reasonably require and such order or legislation shall have been vacated, lifted, discharged, stayed or repealed within thirty days from the date of being entered, pronounced or enacted, as the case may be;
  - (j) the Assignor is liquidated, dissolved or its corporate charter expires or is revoked; or
  - (k) the Assignor defaults in the observance or performance of any provision relating to indebtedness of the Assignor to any creditor other than the Lender and thereby enables such creditor to demand payment of such indebtedness.



10. The Lender may in writing waive any breach by the Assignor of any of the provisions contained herein or any default by the Assignor in the observance or performance of any covenant or condition required by the Lender to be observed or performed by the Assignor; provided that no act or omission by the Lender in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent breach or default or the rights resulting therefrom.

**F. Remedies of the Lender**

11. (a) Upon any default under this General Security Agreement, the Lender may declare any or all of the Indebtedness to be immediately due and payable and the Lender may proceed to realize the security hereby constituted and to enforce its rights by entry or by the appointment by instrument in writing of a receiver or receivers of all or any part of the Collateral and such receiver or receivers may be any person or persons, whether an officer or officers or employee or employees of the Lender or not, and the Lender may remove any receiver or receivers so appointed and appoint another or others in his or their stead; or by proceedings in any court of competent jurisdiction for the appointment of a receiver or receivers or for sale of the Collateral or any part thereof; or by any other action, suit, remedy or proceeding authorized or permitted hereby or by law or by equity; and may file such proofs of claim and other documents as may be necessary or advisable in order to have its claim lodged in any Bankruptcy, winding-up or other judicial proceedings relative to the Assignor.
- (b) Any such receiver or receivers so appointed shall have power:
- (i) to take possession of the Collateral or any part thereof and to carry on the business of the Assignor;
  - (ii) to borrow money required for the maintenance, preservation or protection of the Collateral or any part thereof or the carrying on of the business of the Assignor;
  - (iii) to further charge the Collateral in priority to the Security Interest as security for money so borrowed; and
  - (iv) to sell, lease or otherwise dispose of the whole or any part of the Collateral on such terms and conditions and in such manner as he shall determine.
- In exercising any powers any such receiver or receivers shall be deemed to act as agent or agents for the Assignor and the Lender shall not be responsible for the actions of such agent or agents.
- (c) In addition, the Lender may enter upon and lease or sell the whole or any part or parts of the Collateral and any such sale may be made hereunder by public auction, by public tender or by private contract, with or without notice, advertising or any other formality, all of which are hereby waived by the Assignor, and such sale shall be on such terms and conditions as to credit or otherwise and as to upset or reserve bid or price as to the Lender in its sole discretion may seem advantageous and such sale may take place whether or not the Lender has taken such possession of such Collateral.
- (d) No remedy for the realization of the security hereof or for the enforcement of the rights of the Lender shall be exclusive of or dependent on any other such remedy, and any one or more of such remedies may from time to time be exercised independently or in combination.
- (e) The term "receiver" as used in this General Security Agreement includes a receiver and manager.

**G. Rights of the Lender**

12. All payments made in respect of the Indebtedness and money realized from any securities held therefor may be applied on such part or parts of the Indebtedness as the Lender may see fit and the Lender shall at all times and from time to time have the right to change any appropriation of any money received by it and to re-apply the same on any other part or parts of the Indebtedness as the Lender may see fit, notwithstanding any previous application by whomsoever made.
13. The Assignor grants to the Lender the right to set off against any and all accounts, credits or balances maintained by it with the Lender, the aggregate amount of any of the Indebtedness when the same shall become due and payable whether at maturity, upon acceleration of maturity thereof or otherwise.
14. The Lender, without exonerating in whole or in part the Assignor, may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities from and give the same and any or all existing securities up to, may abstain from taking securities from or from perfecting securities of, may accept compositions from and may otherwise deal with the Assignor and all other persons and securities as the Lender may see fit.
15. The Lender may assign, transfer and deliver to any transferee any of the Indebtedness or any security or any documents or instruments held by the Lender in respect thereof provided that no such assignment, transfer or delivery shall release the Assignor from any of the Indebtedness; and thereafter the Lender shall be fully discharged from all responsibility with respect to the Indebtedness and security, documents and instruments so assigned, transferred or delivered. Such transferee shall be vested with all powers and rights of the Lender under such security, documents or instruments but the Lender shall retain all rights and powers with respect to any such security, documents or instruments not so assigned, transferred or delivered. The Assignor shall not assign any of its rights or obligations hereunder without the prior written consent of the Lender.

**H. Miscellaneous**

16. This General Security Agreement is in addition to, not in substitution for and shall not be merged in any other agreement, security, document or instrument now or hereafter held by the Lender or existing at law in equity or by statute.
17. Nothing herein shall obligate the Lender to make any advance or loan or further advance or loan or to renew any note or extend any time for payment of any indebtedness of the Assignor to the Lender.
18. This General Security Agreement shall be binding upon the Assignor and its heirs, legatees, trustees, executors, administrators, successors and assigns including any successor by reason of amalgamation of or any other change in the Assignor and shall enure to the benefit of the Lender and its successors and assigns.
19. In construing this General Security Agreement, terms herein shall have the same meaning as defined in the PPSA, as hereinafter defined, unless the context otherwise requires. Words importing gender shall include all genders. Words importing the singular number shall include the plural and vice versa.

20. If one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.
21. The headings in this General Security Agreement are included herein for convenience of reference only and shall not constitute a part of this General Security Agreement for any other purpose.
22. Any notice or statement referred to herein may be delivered, sent by facsimile machine or providing that postal service throughout Canada is fully operative, may be mailed by ordinary prepaid mail to the Assignor at his last address known to the Lender and the Assignor shall be deemed to have received such notice or statement on the day of delivery, if delivered, one business day after transmission and confirmation received if sent by facsimile machine and three business days after mailing, if mailed.
23. Where any provision or remedy contained or referred to in this General Security Agreement is prohibited, modified or altered by the laws of any province or territory of Canada which governs that aspect of this General Security Agreement and the provision or remedies may be waived or excluded by the Assignor in whole or in part, the Assignor hereby waives and excludes such provision to the fullest extent permissible by law.
24. This General Security Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario as the same may be in effect from time to time including, where applicable, the Personal Property Security Act of that Province (as amended or substituted, the "PPSA"). For the purpose of legal proceedings this General Security Agreement shall be deemed to have been made in the said Province and to be performed there and the courts of that Province shall have jurisdiction over all disputes which may arise under this General Security Agreement and the Assignor hereby irrevocably and unconditionally submits to the nonexclusive jurisdiction of such courts, provided always that nothing herein contained shall prevent the Lender from proceeding at this election against the Assignor in the Courts of any other Province, country or jurisdiction.
25. The Assignor acknowledges having received a copy of this General Security Agreement.

This General Security Agreement has been duly executed by the Assignor on the 18<sup>th</sup> day of February, 2011.

Name: Deepak Kashyap

Title: Vice-President, Finance

Signature


Name: Mark Vanderham

Title: President

Signature

I/We have authority to bind the Corporation

**THIS IS EXHIBIT "H" REFERRED TO IN THE**  
**AFFIDAVIT OF**  
**MATTHEW LUNETTA**  
**SWORN**  
**THE 3<sup>RD</sup> DAY OF JUNE, 2015**

  
A Commissioner for taking affidavits, etc.

DANIEL PHILIP CIPOLLONE,  
a Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 8, 2016.

**Properties**

*PIN* 03317 - 0239 LT *Interest/Estate* Fee Simple  
*Description* PT BLK 24, PL 65M3627, PTS 4 & 5, PL 65R26964; VAUGHAN. S/T EASE OVER PT 4, PL 65R26964, AS IN YR236746. S/T RT FOR 10 YRS FROM 2005/02/17 AS IN YR601598.  
*Address* 401 VAUGHAN VALLEY BOULEVARD  
 VAUGHAN

**Chargor(s)**

The chargor(s) hereby charges the land to the chargee(s). The chargor(s) acknowledges the receipt of the charge and the standard charge terms, if any.

*Name* DACO MANUFACTURING LTD.  
*Address for Service* 401 Vaughan Valley Blvd.  
 Woodbridge, Ontario  
 L4H 3B5

I, Deepak Kashyap, Vice-President, Finance, have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

**Chargee(s)***Capacity**Share*

*Name* MERIDIAN CREDIT UNION LIMITED  
*Address for Service* 797 Millner Avenue, Unit 200  
 Toronto, Ontario  
 M1B 3C3

**Statements**

Schedule: See Schedules

**Provisions**

|                                 |                      |                 |     |
|---------------------------------|----------------------|-----------------|-----|
| <i>Principal</i>                | \$ 2,500,000.00      | <i>Currency</i> | CDN |
| <i>Calculation Period</i>       |                      |                 |     |
| <i>Balance Due Date</i>         | ON DEMAND            |                 |     |
| <i>Interest Rate</i>            |                      |                 |     |
| <i>Payments</i>                 |                      |                 |     |
| <i>Interest Adjustment Date</i> |                      |                 |     |
| <i>Payment Date</i>             | ON DEMAND            |                 |     |
| <i>First Payment Date</i>       |                      |                 |     |
| <i>Last Payment Date</i>        |                      |                 |     |
| <i>Standard Charge Terms</i>    | 200522               |                 |     |
| <i>Insurance Amount</i>         | full insurable value |                 |     |
| <i>Guarantor</i>                |                      |                 |     |

LRO # 65 Charge/Mortgage

Received as YR1613322 on 2011 02 23 at 12:35

The applicant(s) hereby applies to the Land Registrar.

yyyy mm dd

Page 2 of 7

**Signed By**

Linda Dorothy Tyrrell

800-150 York St.  
Toronto  
M5H 3S5acting for  
Chargor(s)

Signed

2011 02 23

Tel 4163641553

Fax 4163641453

I have the authority to sign and register the document on behalf of the Chargor(s).

**Submitted By**

MACDONALD SAGER MANIS LLP

800-150 York St.  
Toronto  
M5H 3S5

2011 02 23

Tel 4163641553

Fax 4163641453

**Fees/Taxes/Payment**

Statutory Registration Fee \$60.00

Total Paid \$60.00

**File Number**

Chargor Client File Number :

111223 (SJSLT)

Schedule to  
Collateral Charge  
(Direct Indebtedness)

This Schedule forms part of a Charge under the *Land Registration Reform Act, R.S.O. 1990, c. L.4* (Ontario), as amended, made between «Member Name» (the "Chargor") in favour of MERIDIAN Credit Union Limited (the "Chargee").

SCHEDULE

RECITALS

- A. The Chargor is obligated to the Chargee. If more than one person is named above, the term "Chargor" means all and any one or more of them and the Indebtedness (as hereinafter defined) of the Chargor means the Indebtedness of all or any one or more of them to the Chargee.
- B. The Chargor has at the request of the Chargee agreed to give this Charge as a continuing collateral security for payment and satisfaction to the Chargee of each of:
  - (a) all indebtedness, obligations and liabilities of any kind, present or future, direct or indirect, absolute or contingent, joint or several, of the Chargor to the Chargee, whether as principal or surety,

together with all expenses (including legal fees on a full indemnification basis) incurred by the Chargee, its receiver or agent, in the preparation, perfection and enforcement of security and other agreements held by the Chargee in respect of such indebtedness, obligations or liabilities and interest thereon (collectively, the "Indebtedness") up to the Charge Amount (as hereinafter defined).

- C. Provided this Charge to be void upon the Chargor, its heirs, executors, administrators, successors or assigns or any of them, paying on demand to the Chargee, its successors or assigns, the sum of (collectively, the "Charge Amount"):
  - (a) TWO MILLION FIVE HUNDRED THOUSAND (\$2,500,000.00) CAD DOLLARS in lawful money of Canada.
  - (b) All other amounts payable by the Chargor under this Charge, on account of any taxes, rates, levies, charges or assessments upon the said lands no matter by whom or what authority imposed or in connection with the observation or performance of any covenants, provisos and conditions contained in this Charge.
  - (c) Interest on the foregoing at an annual rate equal to the Prime Rate in effect from time to time plus 6%, calculated «monthly/semi-annually» and payable monthly as well after as before maturity, default and judgement, with interest on overdue interest at the same rate as on the principal sum.

For the purpose of this Charge, the term "Prime Rate" means the floating annual rate of interest established and announced by the Chargee from time to time as the reference rate for purposes of determining the rate of interest it will charge on loans denominated in Canadian dollars in Canada. A certificate of a vice-president of the Chargee shall be conclusive evidence of the Chargee's Prime Rate from time to time.

- I. It is agreed by and between the parties to this Charge as follows:
  - (a) That no part of any Indebtedness existing at the date of this Charge or incurred or arising thereafter shall be deemed to be

any way prejudicially affect any security held or which may hereafter be held by the Chargee for the Indebtedness or any part thereof, or the liability of any endorser or any other person or persons upon any such lien, bond, bill of exchange, promissory note or other security or contract or any renewal or renewals thereof held by the Chargee for or on account of the Indebtedness or any part or parts thereof, nor shall the remedies of the Chargee in respect thereof be prejudiced or delayed in any manner whatsoever by the taking of this Charge.

- (c) That any and all payments made in respect of the Indebtedness and interest and the monies or other proceeds realized from the sale of any securities held therefore including this Charge may be applied and reapplied notwithstanding any previous application on such part or parts of the Indebtedness or interest as the Chargee may see fit or may be held unappropriated in a separate collateral account for such time as the Chargee may see fit.
  - (d) That the Chargee may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities and guarantees from and give the same and any and all existing securities and guarantees up to, may abstain from taking securities or guarantees from or from perfecting securities or guarantees of, may accept compositions from and may otherwise deal with the Chargor and all other persons, securities and guarantees as the Chargee may see fit without prejudicing the rights of the Chargee under this Charge.
  - (e) That the taking of judgment in respect of the Indebtedness or any instrument or instruments now or hereafter representing or evidencing the Indebtedness or under any of the covenants herein or in such instrument contained or implied shall not operate as a merger of the Indebtedness or such instrument, instruments or covenants nor affect the Chargee's right to interest at the rate and times herein provided nor affect nor prejudice any rights or remedies given to the Chargee by the terms of this Charge.
2. Save to the extent to which this Chargor has fully informed the Chargee in writing, the Chargor represents, warrants and agrees that it has not done, has permitted or will permit any other party to do, or is aware that any other party has done, any of the following acts or things:
- (a) insulating a building on the Charged Property with urea-formaldehyde foam;
  - (b) using asbestos as an insulating or building material for a building on the Charged Property;
  - (c) storing a pollutant on the Charged Property other than a reasonable quantity that is to be used on the Charged Property in the normal course within a reasonable time;
  - (d) placing an underground storage tank on the Charged Property;
  - (e) burying a pollutant in the Charged Property;
  - (f) having polychlorinated biphenyls (PCB's) on the Charged Property;
  - (g) disposing of garbage or industrial waste on the Charged Property;
  - (h) accidentally spilling a pollutant on the Charged Property;
  - (i) allowing gasoline to leak into the Charged Property; and
  - (j) putting radioactive material in or on the Charged Property.
3. In the event one or more of the Chargors is not also the Obligor, each such Chargor which is not also the Obligor (in this paragraph, "such Chargor") jointly and severally covenants with the Chargee as follows:
- (a) This Charge and the covenants, provisos, obligations and agreements on the part of the Chargor contained in this Charge shall be the continuing obligations and liability of each such Chargor and shall cover all the Indebtedness and obligations of each such Chargor and shall apply to and shall secure any ultimate balance of the monies secured or intended to be secured by this Charge.

- (c) This Charge, the Indebtedness and obligations of each such Chargor under this Charge shall not be affected by the death or loss or diminution of capacity of the Obligor or of any such Chargor or by any change in the name of the Obligor or in the membership of the Obligor's firm through the death or retirement of one or more partners or the introduction of one or more other partners or otherwise, or by the acquisition of the Obligor's business by a corporation, or by any change whatsoever in the objects, capital, structure or constitution of the Obligor, or by the Obligor or the Obligor's business being amalgamated with a corporation or corporations, or wound up or its corporate existence terminated but shall notwithstanding the occurrence of any such event continue to exist and apply to the full extent as if such event had not happened.
- (d) This Charge shall not be considered as wholly or partially satisfied by the payment or liquidation at any time or times of any sum or sums of money for the time being due or remaining unpaid to the Chargee and all dividends, compositions, proceeds of security valued and payments received by the Chargee from the Obligor or from others or from estates shall be regarded for all purposes as payments in gross without any right on the part of any of such Chargors to claim in reduction of his liability under this Charge the benefit of any such dividends, compositions, proceeds or payments or any securities held by the Chargee or proceeds thereof, and none of such Chargors shall have the right to be subrogated in any rights of the Chargee until the Chargee shall have received payment in full of all Indebtedness.
- (e) All of the monies secured or intended to be secured shall be deemed to form part of the Indebtedness and obligations of each such Chargor notwithstanding any lack or limitation of status or of power, incapacity or disability of the Obligor or of the directors, partners or agents thereof, or that the Obligor may not be a legal or suable entity, or any irregularity, defect or informality in the borrowing or obtaining of such monies, advances, renewals or creditors, or in the taking or registering of this Charge or any other securities, the whole whether known to the Chargee or not; and all the monies secured or intended to be secured shall be recoverable from each such Chargor as sole or principal debtor in respect thereof and shall be paid to the Chargee on demand with interest and accessories.
- (f) Each such Chargor shall be bound by any account settled between the Chargee and the Obligor, and if no such account has been so settled immediately before demand of payment under this Charge any account stated by the Chargee shall be accepted by such Chargor and each of them as conclusive evidence of the amount which at the date of the account so stated is due by the Obligor to the Chargee or remains unpaid by the Obligor to the Chargee.



## Schedule "B"

## RECEIVER

Notwithstanding anything herein contained it is declared and agreed that at any time and from time to time when there shall be default under the provisions of these presents, the Chargee may at such time and from time to time and with or without entry into possession of the charged premises or any part thereof by writing under the corporate seal appoint a receiver of the charged premises or any part thereof and of the rents and profits thereof and with or without security and may from time to time by similar writing remove any receiver and appoint another in his stead and that, in making any such appointment or removal, the Chargee shall be deemed to be acting as the agent or attorney for the Chargor. Upon the appointment of any such receiver or receivers from time to time the following provisions shall apply:

1. That the statutory declaration of an officer of the Chargee as to default under the provisions of these presents shall be conclusive evidence thereof;
2. That every such receiver shall be the irrevocable agent or attorney of the Chargor for the collection of all rents falling due in respect of the charged premises or any part thereof whether in respect of any tenancies created in priority to these presents or subsequent thereto;
3. That every such receiver may, in the discretion of the Chargee and by writing under its corporate seal, be vested with all or any of the powers and discretions of the Chargee;
4. That the Chargee may from time to time by such writing fix the remuneration of every such receiver who shall be entitled to deduct the same out of the charged premises or proceeds thereof;
5. That every such receiver shall, so far as concerns responsibility for his acts or omissions, be deemed the agent or attorney of the Chargor and in no event the agent of the Chargee;
6. That the appointment of every such receiver by the Chargee shall not incur or create any liability on the part of the Chargee to the receiver in any respect and such appointment or anything which may be done by any such receiver or the removal of any such receiver or the termination of any such receivership shall not have the effect of constituting the Chargee a Chargee in possession in respect of the charged premises or any part thereof;
7. That every such receiver shall from time to time have the power to rent any portion of the demised premises which may become vacant for such term and subject to such provisions as he may deem advisable or expedient and in so doing every such receiver shall act as the attorney or agent of the Chargor and he shall have authority to execute under seal any lease or any such premises in the name of and on behalf of the Chargor and the Chargor undertakes to ratify and confirm whatever any such receiver may do in the premises;
8. That every such receiver shall have full power to take all steps he deems appropriate to complete any unfinished construction upon the charged premises with the intent that the charged premises and the buildings thereof when so completed shall be the complete structure as represented by the Chargor to the Chargee for the purpose of obtaining this Loan;
9. That every such receiver shall have full power to manage, operate, amend, repaid, alter or extend the charged premises or any part thereof in the name of the Chargor for the purpose of securing the payment of rental from the charged premises or any part thereof;
10. That no such receiver be liable to the Chargor to account for monies or damages other than cash received by him in respect of the charged premises or any part thereof and out of such cash so received every such receiver shall in the following

- c. In payment of interest, principal and other money which may, from time to time, be or become charged upon the charged premises in priority to these presents, and all taxes, insurance premiums and every proper expenditure made or incurred by him in respect to the charged premises or any part thereof;
  - d. The Chargee in payment of all interest due or falling due under this Charge and the balance to be applied upon principal due and payable and secured by this Charge; and
  - e. Thereafter any surplus remaining in the hands of every such receiver to the Chargor, its successors and assigns.
-

**ACKNOWLEDGEMENT**  
**RE: STANDARD CHARGE TERMS**

**TO:** MERIDIAN CREDIT UNION LIMITED

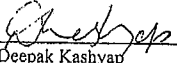
**AND TO:** MACDONALD SAGER MANIS LLP, its solicitors herein

**RE:** MERIDIAN CREDIT UNION LIMITED CREDIT FACILITIES FOR DACO MANUFACTURING LTD., GUARANTEED BY: HANK VANDERKAM AND DACO (USA), INC., SECURED BY A COLLATERAL SECOND MORTGAGE OVER 401 VAUGHAN VALLEY BLVD., VAUGHAN, ONTARIO

The undersigned acknowledges receipt of a copy of the Standard Charge Terms filed as Number 200522.

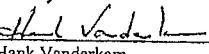
DATED: February 18, 2011

DACO MANUFACTURING LTD.

Per:   
 Name: Deepak Kashyap  
 Title: Vice-President, Finance


I have the authority to bind the Corporation.

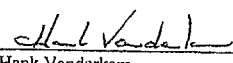
DACO (USA), Inc.

Per:   
 Name: Hank Vanderkam  
 Title: President

I have the authority to bind the Corporation.

SIGNED, SEALED AND DELIVERED  
 IN THE PRESENCE OF

  
 Witness


  
 Hank Vanderkam

**SOLICITOR'S ACKNOWLEDGEMENT**

I am the solicitor acting on behalf of the Chargor and Guarantors in this transaction and confirm that they have been provided with a copy of the above-mentioned Standard Charge Terms.

DATED: February 18, 2011

BORDEN LADNER GERVAIS LLP

Per:   
 Solicitor: ~~Victoria Prince~~ Jonathan F. Dyd  
 Address: 40 King Street West, Toronto, ON M5H 3Y4

LAND REGISTRATION REFORM ACT, 1984  
SET OF STANDARD CHARGE TERMS

Filed by Meridian Credit Union Limited

Filing Date: June 6, 2005  
Filing Number: 200522

The following set of standard charge terms shall be deemed to be included in every Charge in which this set is referred to by its filing number and as provided in Section 9 of the Act.

STATUTORY COVENANTS EXCLUDED

1. The Covenants deemed to be included in the Charge under Sub-Section 7(1), Clauses 1 and 2 of the Land Registration Reform Act, 1984, are hereby expressly excluded and replaced by the following Covenants.

COVENANTS IN LIEU OF STATUTORY COVENANTS

2. The Chargor hereby Covenants, promises and agrees to and with the Chargee as follows:

(i) Authority to Charge the Lands and Premises

That the Chargor now has good right, full power and lawful and absolute authority to charge the Lands and to give the Charge to the Chargee upon the Covenants contained in the Charge.

(ii) No Act to Encumber

That the Chargor has not done, committed, executed or wilfully or knowingly suffered any act, deed, matter or thing whatsoever whereby or by means whereof the Lands, or any part or parcel thereof, is or shall or may be in any way impeached, charged, affected, or encumbered in title, estate or otherwise, except as the records of the Land Registry Office disclose.

(iii) Good Title in Fee Simple

That the Chargor, at the time of the execution and delivery of the Charge, is, and stands solely, rightfully and lawfully seized of a good, sure, perfect, absolute and indefeasible estate of inheritance, in fee simple, of and in the Lands and the premises described in the Charge and in every part and parcel thereof, without any manner of trusts, reservations, limitations, provisions, conditions or any other matter or thing to alter, charge, change, encumber or defeat the same, except those contained in the original grant thereof from the Crown.

(iv) Lands and Buildings Not Contaminated

That the Buildings on the Lands are not insulated with urea formaldehyde foam and do not contain asbestos, building materials, polychlorinated biphenyls, radioactive substances or other Hazardous Materials; no Hazardous Materials have been released into the natural environment from or through the Lands; to the best of the Chargor's knowledge, information and belief, after conducting all reasonable inquiries, no Hazardous Materials have been released into the natural environment from properties adjoining the Lands or from properties located within the immediate vicinity of the Lands, except as expressly permitted, licensed or authorized by Government Authority; the Lands have never been used as a land-fill or waste disposal site; no Hazardous Materials are or have ever been stored on or under the Lands; to the best of the Chargor's knowledge, information and belief, after having conducted all reasonable inquiries, no Hazardous Materials are or have ever been stored on or under properties adjoining the Lands or on or under properties within the immediate vicinity of the Lands; the condition of the soil on the Lands is such that it will not prevent or restrict future development of the Lands for commercial purposes.

"Hazardous Material" means any contaminants, pollutants, substances or materials that, when released to the natural environment, could cause, at some immediate or future time, harm or degradation to the natural environment or risk to human health, whether or not such contaminants, pollutants, substances or materials are or shall become prohibited, controlled or regulated by any Government Authority and any "contaminants", "dangerous substances", "hazardous materials", "hazardous substances", "hazardous wastes", "industrial wastes", "liquid wastes", "pollutants" and "toxic substances", all as defined in, referred to or contemplated in federal, provincial and/or municipal legislation, regulations, orders and/or ordinances relating to environment, health and/or safety matters.

(v) Promise to Pay and Perform

That the Chargor will pay or cause to be paid to the Chargee the full principal amount and interest secured by the Charge in the manner of payment provided by the Charge, without any deduction or abatement, and shall do, observe, perform, fulfil and keep all the provisions, covenants, agreements and stipulations contained in the Charge. That the Chargor will comply with all orders issued by regulatory authorities and all environmental laws, regulations, and ordinances. That the Chargor will pay, as they fall due, all taxes, rates, assessments, and penalties, whether municipal, local, parliamentary, judicial, or administrative, which now or may hereafter be imposed, charged or levied upon the Lands or against the Chargor, and when required, produce for the Chargee receipts evidencing payment of the same.

The Chargee shall have the right from time to time to estimate the amount of taxes on the charged Lands and premises for each year and to require the Chargor to pay in each month a specified portion of such estimated amount in addition to the monthly instalments stipulated in this Charge (if any); and the Chargor covenants and agrees when so required to pay to the Chargee in addition to the monthly instalments herein mentioned (if any) such specified portion of the said taxes with each of the twelve succeeding monthly instalments herein mentioned next falling due, and the Chargor shall also pay to the Chargee on demand the amount, if any by which the actual taxes exceed such estimated amount. If the principal and interest are repayable on demand only, this amount on account of taxes shall be paid to the Chargee in each month on a day designated by the Chargee. If, before any amount on account of taxes so paid to the Chargee shall have been applied against taxes, there shall be arrears in the payment of principal and/or interest due and payable under this Charge, the Chargee may apply such amount paid on account of taxes instead towards payment of the arrears of principal and/or interest. The Chargee is not obligated to pay interest to the Chargor on amounts paid to the Chargee on account of taxes for the period of time immediately preceding the date the amounts are applied against taxes.

If the payment provisions in this Charge require the Chargor to make payments of principal and interest monthly, the Chargor and the Chargee may from time to time agree that payments of principal and interest (and any amount on account of taxes, if applicable) shall be made more frequently than monthly, in which case the Chargor shall comply with the terms of any such agreement instead of the payment provisions prescribed in this Charge.

If this Charge contains an interest adjustment date, the Chargor further covenants to pay, on such date, interest at the rate set forth in the Charge and all money advanced by the Chargee to the Chargor under the Charge, prior to such interest adjustment date.

(vi)

Obligation to Insure

That the Chargor will immediately insure, unless already insured, and during the continuance of the Charge keep insured against loss or damage by fire, in such proportions upon each building as may be required by the Chargee, the buildings and the land to the amount of not less than their full insurable value in dollars of lawful money of Canada. Such insurance shall be placed with a company approved by the Chargee. Buildings shall include all buildings whether now or hereafter erected on the Lands, and such insurance shall include not only insurance against loss or damage by fire, but also insurance against loss or damage by explosion, tempest, tornado, cyclone, lightning and all other extended perils customarily provided in insurance policies. Evidence of continuation of all such insurance having been effected shall be produced to the Chargee at least three (3) days before the expiration thereof; otherwise, the Chargee may provide therefor and charge the premium paid and interest thereon, at the rate provided for in the Charge, to the Chargor and the same shall be payable forthwith and shall also be a Charge upon the Lands. It is further agreed that the Chargee may, at any time, require any insurance of the buildings to be cancelled and new insurance effected by a company to be named by the Chargee, and also of his own accord, may effect or maintain any insurance herein provided for in the Charge and the cost of effecting or maintaining same shall also be a Charge upon the Lands. Policies of insurance herein required shall provide that loss, if any, shall be payable to the Chargee as his interest may appear, subject to the standard form of mortgage clause approved by the Insurance Bureau of Canada which shall be attached to the policy of insurance.

(vii)

Obligation to Repair and to Remediate Environmental Contamination

That the Chargor will keep the Lands and the buildings, erections and improvements thereon, in good condition and repair according to the nature and description thereof respectively, and the Chargee may, whenever he deems necessary, by his agent, enter upon and inspect the Lands and make such repairs as he deems necessary, and the reasonable cost of such inspection and repairs with interest at the rate provided for in the Charge shall be added to the principal amount and be payable forthwith and be a charge upon the Lands prior to all claims thereon subsequent to the Charge.

That in the event that, for any reason whatsoever, the representations and covenants contained in subsections 2(iv) and 2(viii) (a) (ii) regarding the Lands are not true or are breached or shall become untrue or breached any time after the registration of this Charge, then the Chargor shall forthwith conduct appropriate removal/remedial action and such removal/remedial action shall be pre-approved by the Chargee, acting reasonably. The Chargor shall conduct such appropriate environmental assessments as the Chargee may reasonably require in its discretion in order to give its approval. If the Chargor fails to conduct such assessments and/or to take appropriate remedial action, the Chargor hereby permits the Chargee to enter upon the Lands to conduct the assessments and/or effect the remedial action, and the reasonable cost of such assessments and/or remediation shall be added to the principal amount and be payable forthwith and be a charge upon the Lands prior to all claims subsequent to the Charge.

(viii)

Alterations

(a) That the Chargor will not

- (i) Permit waste to be committed or suffered on the charged premises;
- (ii) Discharge or permit the discharge into the natural environment of the charged

premises and/or neighbouring lands of any contaminant in an amount, concentration or level in excess of that prescribed by the regulations under the Environmental Protection Act of Ontario, or any similar or successor legislation, or if the contaminant is likely to cause an adverse effect; and

(iii) Suffer or permit any change in the general nature of the occupancy of the charged premises.

- (b) That it will not remove or destroy any of the buildings, plant, machinery and equipment comprised in the improvements other than as herein otherwise provided; provided that nothing herein shall prevent the removal of any such property from one part of the charged premises to another or the temporary removal of any such property for purposes of repair; and provided further that the Chargor may remove, dismantle, sell, exchange or otherwise dispose of any plant, machinery or equipment which has become obsolete, worn out, unserviceable or unnecessary for use in the conduct of any business conducted on the premises if such plant, machinery or equipment is replaced by plant, machinery and equipment of at least equal value or if the value of such plant, machinery or equipment so dealt with in one transaction and not so replaced does not exceed \$5,000; provided that such removal or other disposition does not impair the successful operation of the charged premises;
- (c) That the Chargor will not make or permit to be made any alterations, additions to, or subtractions from the charged premises without the consent of the Chargee in writing, which consent shall not be unreasonably withheld.
- (d) That the Chargor, if the purpose of the Charge is to finance an improvement to the lands and/or buildings, will make the improvement only in accordance with plans and specifications previously approved by the Chargee and complete the improvements as quickly as possible.

(ix) Obligation to Notify Chargee of Changes

That the Chargor will forthwith provide the Chargee with full particulars of any change or happening affecting any of the following, namely, (a) the spousal status of the Chargor, and (b) qualification of the said Lands as a matrimonial home within the meaning of the Family Law Act, as amended, the intention being that the Chargee shall be kept fully informed of the names and addresses of any spouse who is not an owner but who has a right of possession in the said Lands by virtue of the said Act. In furtherance of such intention, the Chargor agrees to furnish the Chargee with such evidence in connection with either of (a) and (b) above as the Chargee may, from time to time, request.

(x) Membership in Meridian Credit Union Limited

That during the currency of this Charge the Chargor will maintain at all times his status as a member in good standing of Meridian Credit Union Limited in accordance with its by-laws and resolutions.

(xi) Obligation to Maintain an Account out of which Payments can be drawn

That, if regular payments of principal and interest (and taxes, if applicable) are required by the provisions of this Charge, the Chargor will maintain, with a branch of Meridian Credit Union Limited, an account of a type satisfactory to the Chargee, and complete an authorization, in a form approved by the Chargee, whereby such account is automatically debited by an amount equal to each payment of principal and interest (and taxes, if applicable), when each payment is due. The Chargor covenants to ensure that such account always has sufficient funds on deposit to satisfy each such payment when due. If the Chargor breaches this covenant, or cancels the said authorization or closes the account, then any such action or omission shall constitute a default under this Charge. The Chargor agrees to pay to the Chargee its current administration and processing fees for breaches of this covenant.

(xii) Prohibition Against Subsequent Encumbrances

That the Chargor will ensure that the Lands will remain free and clear of all encumbrances, liens, mortgages, charges, Personal Property Security Interests and financing agreements subordinate to the Chargee's interest throughout the term of this Charge and any renewal or renewals thereof, except those approved in writing.

(xiii) Casualty, Legal or Environmental Claim

That the Chargor will give immediate notice in writing to the Chargee of any damage caused by fire or any other casualty to, or legal claim against, the said Lands.

That the Chargor will give immediate notice in writing to the Chargee of the receipt of material governmental or third party notices of violation, claims, suits, orders, or permit or approval revocations relating to environmental risks, and of any discharges or spills on or emanating from said Lands within the meaning of the Environmental Protection Act of Ontario, or any similar or successor legislation.

(xiv) Ontario New Home Warranties Plan Act

That if the land and buildings are subject to the requirements of the Ontario New Home

Warranties Plan Act of Ontario, or any similar successor legislation, the Chargor will comply with such requirements and reimburse the Chargee for any costs which it may incur in effecting compliance or enforcing the Chargor's rights on its behalf if it fails to do so.

#### CHARGEES RIGHT TO ACCELERATE PAYMENT OF PRINCIPAL AND INTEREST

3. In the event of:

- (i) The Chargor selling, conveying, transferring or leasing, or entering into any agreement to complete the same, of the title to any interest in the Lands hereby charged to a purchaser, grantee, transferee, or lessee not approved in writing by the Chargee;
- (ii) The failure of such a purchaser, grantee, transferee or lessee to:
  - (a) Apply for and receive the Chargee's written approval as aforesaid;
  - (b) Personally assume all the obligations of the Chargor under this Charge; and
  - (c) Execute an Assumption Agreement in the form required by the Chargee;
- (iii) The death or total permanent disability of the Chargor;
- (iv) The insolvency of the Chargor or any Guarantor;
- (v) The expiration of three (3) months following the Chargor's withdrawal or expulsion from membership in Meridian Credit Union Limited;
- (vi) The winding up or dissolution of the Chargor or any Guarantor (if applicable); or
- (vii) The Chargor neglecting to keep the buildings, erections and improvements in good condition and repair, or permitting any act of waste in the land (as to which the Chargee shall be sole judge), or making default as to any of the covenants, provisions, agreements or conditions contained in the Charge or in any Charge to which this Charge is subject;

All monies secured by the Charge shall, at the option of the Chargee, forthwith become due and payable, and in default of payment of same with interest, as in the case of payment before maturity, the power of entering upon and leasing or selling the Lands and Premises hereby given and all the remedies herein contained may be exercised forthwith. The exercise of the said option by the Chargee shall not be valid unless expressed in writing and signed by an employee of the Chargee.

#### CHARGEES RIGHTS ON DEFAULT

4.

(i) Interest After Default

In case default shall be made in payment of any sum to become due for interest at the time provided for payment in the Charge, compound interest shall be payable and the sum in arrears for interest from time to time, as well after as before maturity, shall bear interest at the rate provided for in the Charge. In case the interest and compound interest are not paid within three months from the time of default, a rest shall be made, and compound interest at the rate provided for in the Charge shall be payable on the aggregate amount then due, as well after as before maturity and so on from time to time, and all such interest and compound interest shall be a Charge upon the land.

(ii) Right to Distrain

If the Chargor shall make default in payment of any part of the interest payable under the Charge, at any of the dates or times fixed for the payment thereof, it shall be lawful for the Chargee to distrain therefor upon the land or any part thereof, and by distress warrant, to recover by way of rent reserved, as in the case of a demise of the land, so much of such interest as shall, from time to time, be or remain in arrears and unpaid, together with all costs, charges and expense attending such levy or distress, as in like cases of distress for rent. Provided that the Chargee may distrain for arrears of principal in the same manner as if the same were arrears of interest.

(iii) Waiver of Default

The Chargor agrees that the Chargee may, in writing, at any time or times after default, waive such default and upon such waiver the time or times for payment of said principal amount shall be as set out in this Charge, and further that any such waiver shall apply only to the particular default waived and shall not operate as a waiver of any other or future default.

(iv) Extensions, Renewals and Variations in Terms Not to Prejudice

Unless the Chargee agrees in writing to the contrary, the obligations hereunder of the original Chargor and the Guarantors shall survive the granting by the Chargee to the original Chargor or anyone claiming under him, including subsequent owners of the lands or of any part thereof, of any extension of time or renewal or variation in terms in respect of the Charge (whether by informal

arrangement or by way of a formal Extension, Renewal, or Amending Agreement signed by the Chargor, or subsequent owner, as the case may be). The Charge may be Renewed, Extended or Amended by an Agreement in writing, prior to, at, or after maturity for any term, with or without an increased rate of interest, between the Chargee and the original Chargor, or subsequent owner, as the case may be, with or without notice to, or the concurrence of, the Guarantors, if any, or any subsequent encumbrancers, and/or the original Chargor in the case of an Agreement with a subsequent owner. A Renewal or Extension of this Charge shall be deemed to not create a new Charge, but rather is an extension of this Charge, notwithstanding that a Renewal or Extension Agreement may amend the effective date of this Charge. It shall not be necessary to register any such Agreement in order to retain priority for this Charge so altered over any instrument registered subsequent to the Charge. Provided that nothing contained in this paragraph shall infer any right of renewal upon the Chargor.

(v)

#### Entry on Default

From and after default shall happen to be made of or in the payment of the principal amount, or the interest payable thereon, or any part of either thereof, as provided in this Charge, or of in the doing, observing, performing, fulfilling or keeping of some one or more of the provisions, agreements or stipulations contained herein contrary to the true intent and meaning of this Charge, then and in every case it shall and may be lawful to and for the said Chargee to peaceably and quietly enter into, have, hold, use, occupy, possess, and enjoy the lands hereby charged free and clear and freely and clearly acquitted, exonerated and discharged of and from all former conveyances, mortgages, charges, rights, annuities, debts, executions and recognizances, and of and from all manner of other charges or encumbrances whatsoever without the let, suit, hindrance, interruption or denial of the Chargor, or any other person or persons whatsoever.

If the default includes a breach by the Chargor of his covenant to complete an improvement in accordance with the plans and specifications previously approved by the Chargee, the Chargee may, at its discretion, complete the improvement, subject to such reasonable changes in plans and specifications as a prudent owner would make under the circumstances.

(vi)

#### Power of Sale

The Chargee, on default of payment for at least fifteen (15) days may, on at least thirty-five (35) days' notice in writing given to the Chargor, enter on and lease the Lands or sell the Lands. Such notice shall be given to such persons and in such manner and form and within such time as provided in the Mortgage Act. In the event that the giving of such notice shall not be required by law, or to the extent that such requirements shall not be applicable, it is agreed that notice may be effectually given by leaving it with a grown-up person on the Lands, if occupied, or by placing it on the Lands, if unoccupied, or at the option of the Chargee, by mailing it in a registered letter addressed to the Chargor at his last known address, or by publishing it once in a newspaper published in a county or district in which the land is situate; and such notice shall be sufficient, although not addressed to any person or persons by name or designations; and notwithstanding that any person could be affected thereby may be unknown, unascertained, or under disability. Provided further, that in case default be made in a payment of the principal amount or interest or any part thereof, and such default continues for two months after any payment of either falls due, then the Chargee may exercise the foregoing powers of entering, leasing or selling, or any of them without any notice, it being understood and agreed, however, that if the giving of notice by the Chargee shall be required by law, then notice shall be given to such persons and in such manner and form, within such time as so required by law. It is hereby further agreed that the whole or any part of parts of the Lands may be sold by public auction or private contract, or partly one or partly the other, and that the proceeds of any sale hereunder may be applied first in payment of any costs, charges, legal fees (as between solicitor and client) and expenses which may be incurred in taking, recovering and keeping possession of, managing, repairing and improving in accordance with the terms of this Charge, and inspecting the Lands or by reason of non-payment or procuring the payment of monies, secured by the Charge or otherwise, and secondly in payment of all amounts of principal and interest owing under the Charge; and if any surplus shall remain after fully satisfying the claims of the Chargee as aforesaid, same shall be paid to the Chargor, or as he may direct. The costs, charges, and expenses referred to above shall include, but not be limited to, reasonable administration fees charged by the Chargee to the Chargor for the labour of employees expended in managing and inspecting the Lands and premises on behalf of the Chargee in its capacity as chargee in possession. The Chargee may sell any of the Lands on such terms as to credit and otherwise as shall appear to him most advantageous, and for such prices as can reasonably be obtained therefor, and may make any stipulations as to title or evidence or commencement of title or otherwise which he shall deem proper, and may buy in or rescind or vary any contracts for the sale of the whole or any part of the Lands, and resell without being answerable for loss occasioned thereby, and in the case of a sale on credit the Chargee shall be bound to pay the Chargor only such monies as have been actually received from purchasers, after the satisfaction of the claim to the Chargee, and for any of said purposes may make and execute all agreements and assurances as he shall think fit. Any purchaser or lessee shall not be bound to see the propriety or regularity of any sale or lease, or be affected by express notice that any sale or lease is improper, and no want of notice or publication when required hereby shall invalidate any sale or lease hereunder.

(vii)

#### Further Assurances

From and after default in the payment of the principal amounts secured by the Charge, or the interest thereon, or any part of such principal or interest or in the doing, observing, performing, fulfilling or keeping of some one or more of the covenants set forth in the Charge then, and in every such case,



the Chargor and all and every other person whosoever having, or lawfully claiming, or who shall have or lawfully claim any estate, right, title, interest or trust of, in, to or out of the Lands shall, from time to time, and at all times thereafter, at the proper costs and charges of the Chargor make, do, suffer and execute, or cause or procure to be made, done, suffered and executed, all and every such further and other reasonable act or acts, deed or deeds, devices, conveyances and assurances in the law for the further, better and more perfectly and absolutely conveying and assuring the Lands unto the Chargee, as by the Chargee or his solicitor, shall or may be lawfully and reasonably devised, advised or required.

#### ADDITIONAL TERMS AND CONDITIONS

5.

(i)

##### Costs Added to Principal

The Chargee may pay all premiums of insurance and all taxes, rates, levies, charges, assessments, utility and heating charges, which shall from time to time fall due and be unpaid in respect of the Lands, and that such payments together with all costs, charges, legal fees (as between solicitor and client) and expenses which may be incurred in taking, recovering and keeping possession of, managing, repairing and improving the Lands and premises in accordance with the terms of this Charge, and inspecting the Lands and of negotiating the charge, investigating title, and registering the Charge and other necessary deeds, and generally in any other proceedings taken in connection with or to realize upon the security given in the Charge (including legal fees and real estate commissions and other costs incurred in selling or leasing the Lands or in exercising the power of entering, lease and sale contained in the Charge) shall be, with interest at the rate provided for in the Charge, a charge upon the land in favour of the Chargee pursuant to the terms of the Charge and the Chargee may pay or satisfy any lien upon the land, which payments with interest at the rate provided for in the Charge, shall likewise be a charge upon the land in favour of the Chargee. Provided, and it is hereby further agreed, that all amounts paid by the Chargee, as aforesaid, shall be added to the principal amount secured by the Charge and shall be payable forthwith, with interest, at the rate provided for in the Charge.

(ii)

##### Partial Releases

The Chargee may, at his discretion, at all times, release any part or parts of the Lands or any other security or any surety for the money secured under the Charge, either with or without any sufficient consideration therefor, without responsibility therefor, and without thereby releasing any other part of the Lands or any person from the Charge or from any of the covenants contained in the Charge, and without being accountable to the Chargor for the value thereof, or for any monies except those actually received by the Chargee. It is agreed that every part or lot into which the Lands is or may hereafter be divided, does and shall stand charged for the whole monies secured under the Charge, and no person shall have the right to require the mortgage monies to be apportioned.

(iii)

##### Discharge

Upon repayment in full of the monies secured hereby, all accrued interest and charges, and any bonus, if applicable, the Chargee shall sign a cessation of this Charge or, if requested by the Chargor, a transfer of the Charge, and send it to the Chargor within a reasonable time. The Chargor shall pay to the Chargee its usual administrative fee for preparing and signing the Cessation of Charge or Transfer of Charge, whether the Cessation or Transfer is prepared by the Chargee or by the Chargor or his solicitor. The Chargor is solely responsible for registering the Cessation or Transfer on title, at his own expense.

(iv)

##### Other Security

This Charge is, in addition to and not in substitution for, any other security held by the Chargee for all or any part of the monies secured hereby. It is understood and agreed that the Chargee may pursue its remedies thereunder or hereunder concurrently or successively, at its option, in the event of default. Any judgment or recovery thereunder or hereunder shall not affect the right of the Chargee to realize upon this or any other security.

(v)

##### No Right of Prepayment

This Charge is closed in that the Chargor shall have no right to prepay any part or parts of the monies secured hereby, at any time or times, prior to the date of maturity, provided however, that the Chargee may, in its sole discretion,

- (a) Apply towards payment of the monies secured hereby, any monies received by it under any policy of group insurance carried by it on the lives of its borrowing members; and
- (b) Calculate interest on a daily basis on the unpaid balance remaining outstanding, on the last previous payment date stipulated herein, and shall then apply said payment received first, in payment of interest so calculated to be due, and the balance, to be applied in reduction of the principal sum, upon receiving a payment from the Chargor, on any date or dates, other than the dates stipulated herein.

(vi)

##### Non-Merger of Covenants

The taking of a judgment or judgments on any of the covenants herein, shall not operate as a merger of the covenants, or affect the Chargee's right to interest, at the rate and times provided for in the Charge; and further that any judgment shall provide that interest shall thereon be computed, at the same rate and in the same manner as provided in the Charge, until the judgment shall have been fully paid and satisfied.

(vii) Date of Charge

If this Charge contains an interest adjustment date, the date of this Charge shall be deemed to be the interest adjustment date stated in the Charge, notwithstanding that the Charge may have been executed on an earlier date. If this Charge does not contain an interest adjustment date, the date of this Charge shall be deemed to be the date of signature thereof by the first named Chargor.

(viii) Recovery of Fees

The Chargor agrees to pay to the Chargee, when due, the Chargee's then current administration and processing fees in connection with the preparation of any Mortgage Statement for Assumption purposes, Amending or other Agreements, statements for information purposes, any fees referred to in Paragraph 4(VI), charges for cheques relating to this Charge where payment has been refused due to insufficient funds or for any other reason and generally any fees in connection with the proper administration of this Charge. Any such fees and charges, if unpaid, shall be added to the principal outstanding pursuant to this Charge, and shall bear interest at the rate required by this Charge. The amount of any such fees or charges in effect at any particular time is available from any branch of Meridian Credit Union Limited, upon request.

CONDOMINIUM

6. If the charged Lands is a condominium unit and its appurtenant interest in the common areas, pursuant to the Condominium Act of Ontario, the following provisions shall form part of this Charge:

The Chargee is hereby irrevocably authorized and empowered to exercise the right of the Chargor as an Owner of the Lands, to vote or consent in all matters relating to the affairs of the Condominium Corporation named in the Charge, provided that:

- (i) The Chargor shall be entitled to exercise the right to vote or consent, unless the Chargee gives notice of its intention to exercise such rights. Any such notice may be for an indeterminate period of time, or for a limited period of time, or for a specific meeting or matter.
- (ii) The Chargee shall not, by virtue of the assignment to the Chargee of the right to vote or consent, be under any obligation to vote or consent or protect the interests of the Chargor.
- (iii) The exercise of the right to vote or consent shall not constitute the Chargee a mortgagee in possession.

GUARANTEE CLAUSE

7. IN CONSIDERATION of the making, by the Chargee to the Chargor, the loan hereby secured, the Guarantors who have duly executed page one of this Charge:

- (i) Agree to be jointly and severally liable with the Chargor, for the due payment of all monies payable hereunder, at the times and in the manner herein provided;
- (ii) Unconditionally guarantee full performance and discharge by the Chargor of all of his obligations pursuant to the provisions hereof, at the times and in the manner herein provided; notwithstanding that the obligations of the Chargor hereunder may be void or unenforceable at law or in equity or pursuant to statute;
- (iii) Agree to indemnify and save harmless the Chargee against and from all losses, damages, costs and expenses which the Chargee may sustain, incur, or become liable for, by reason of:
  - (a) The failure, for any reason whatsoever, of the Chargor to pay the money expressed to be payable pursuant to the provisions of this Charge;
  - (b) The failure, for any reason whatsoever, of the Chargor to do and perform any other act, matter or thing pursuant to the provisions of this Charge;
  - (c) Any act, action, or proceeding of or by the Chargee, for or in connection with the recovery of the said monies, or the obtaining of performance by the Chargor or any other act, matter or thing pursuant to the provisions of this Charge;
- (iv) Agree that the Chargee may at any time, and from time to time, and without notice to the Guarantors, or any consent or concurrence by them, make any settlement, extension, renewal or variation in terms of the said Charge (whether by informal arrangement or by way of a formal Extension, Renewal or Amending Agreement signed by the original Chargor or a subsequent owner prior to, at or after maturity) or take surrender any security, and that no such thing done by the Chargee nor any carelessness or neglect by the Chargee in asserting its rights, nor any other thing of the foregoing, loss by operation of law of any right of the Chargee against the Chargor, nor the loss or destruction of any security, shall in any way release or diminish the liability

of the Guarantors hereunder, so long as any monies expressed by this Charge to be payable remain unpaid or the Chargee has not been reimbursed for all such losses, damages, costs, charges and expenses as aforesaid, and

- (v) Agree that the Chargee shall not be obliged to proceed against the Chargor, or to enforce or exhaust any security before proceeding to enforce its obligations herein set out, and that enforcement of such obligations may take place before, after or contemporaneously with the enforcement of any debt or obligation of the Chargor, or the enforcement of any security for any such debt or obligation.

#### INTERPRETATION

8.

It is hereby agreed, that in construing this Charge, the words "Chargor", "Chargee" and "Guarantors", and the personal pronouns "he", "his", "him", "they" or "them" relating thereto and used therewith, shall be read and construed as "Chargor" or "Chargors", "Chargee" or "Chargees", "Guarantor" or "Guarantors", and "he", "she", "it" or "they", "his", "her", "its" or "their" and "him", "her", "it" or "them" respectively, as the number and gender of the party or parties referred to in each case require, and the number and the verb agreeing therewith shall be construed as agreeing with the said word or pronoun so substituted. Furthermore, all rights, advantages, privileges, immunities, powers and things hereby secured to the "Chargor" or "Chargors", "Chargee" or "Chargees", shall be equally secured to and exercisable by his, her its or their heirs, executors, administrators and assigns or successors and assigns, as the case may be. All covenants, liabilities and obligations entered into or imposed hereunder upon the "Chargor" or "Chargors", "Chargee" or "Chargees", "Guarantor" or "Guarantors" shall be equally binding upon his, her, its or their heirs, executors, administrators and assigns, or successors and assigns as the case may be; and all such covenants, liabilities and obligations shall be made by the Chargors or Guarantors jointly and severally, unless the Charge specifies otherwise.

#### DEFINED TERMS

9.

It is hereby further agreed that all words appearing in this Charge that are defined in Section 1 of the Land Registration Reform Act, 1984, except the word "successor", shall be read and construed as having the meaning assigned to them by Section 1 of the Land Registration Reform Act, 1984.

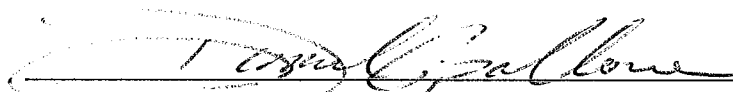
#### ACKNOWLEDGEMENT OF RECEIPT

I/We, the undersigned, hereby acknowledge receipt of a copy of these Standard Charge Terms, this day of \_\_\_\_\_.

Michael L. L. L.

Michael L. L. L.

**THIS IS EXHIBIT "I" REFERRED TO IN THE**  
**AFFIDAVIT OF**  
**MATTHEW LUNETTA**  
**SWORN**  
**THE 3<sup>RD</sup> DAY OF JUNE, 2015**

  
A Commissioner for taking affidavits, etc.

DANIEL PHILIP CIPOLLONE,  
a Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 8, 2016.

**Roynat** > CAPITAL

**Return This Copy Only  
to Roynat Capital**

December 6, 2006

**Confidential**

Daco Manufacturing Ltd.  
401 Vaughan Valley Blvd.  
Woodbridge, Ontario  
L4H 3B5

**Attention: Mr. Deepak Kashyap, Vice President, Finance**

Dear Mr. Kashyap:

**OFFER OF FINANCE**

We are pleased to offer you financing in the amount of \$2,400,000 to be allocated to the following program:

**PROGRAM**

| Purpose                                    |                    | Source                |                    |
|--|--------------------|-----------------------|--------------------|
| Refinance National Bank of Canada mortgage | 2,400,000          | Roynat Inc. Term Loan | 2,400,000          |
|  | <u>\$2,400,000</u> |                       | <u>\$2,400,000</u> |

Program changes may only be made with our prior written approval.

**REPAYMENT**

The principal amount of financing is to be repaid as follows:

| # of Payments | \$ Payment Amount | Payment Frequency | Payments Start | Payments End | \$ Total           |
|---------------|-------------------|-------------------|----------------|--------------|--------------------|
| 12            | 11,250            | Monthly           | 2007/02/15     | 2008/01/15   | 135,000            |
| 12            | 11,250            | Monthly           | 2008/02/15     | 2009/01/15   | 135,000            |
| 12            | 7,083             | Monthly           | 2009/02/15     | 2010/01/15   | 84,996             |
| 12            | 7,050             | Monthly           | 2010/02/15     | 2011/01/15   | 84,600             |
| 11            | 7,550             | Monthly           | 2011/02/15     | 2011/01/15   | 83,050             |
| 1             | 1,877,354         | Monthly           | 2012/01/15     | 2012/01/15   | 1,877,354          |
|               |                   |                   |                |              | <u>\$2,400,000</u> |

You will make monthly payments, as provided in Schedule "A", to cover your property taxes.

If disbursement is delayed, we may, at our option, extend the dates for scheduled principal repayments.

---

### INTEREST

---

Interest will be payable on the 15th day of each month at Roynat's Floating Base Rate plus 2.25% per annum.

Once disbursement commences we will advise you monthly of the interest rate in effect and the amount payable on the 15th of that month. Roynat's Floating Base Rate for the latest monthly period was 4.83% per annum.

Roynat's Floating Base Rate for the monthly period will be the arithmetic average of the 1 month rate applicable to Canadian Dollar bankers' acceptances on each Business Day during the monthly period, plus .50%.

You may, as provided in the attached Schedule "A", notify us in writing that you wish to convert the rate of interest to a fixed rate equivalent to Roynat's Term Base Rate plus 2.5% per annum.

"Roynat's Term Base Rate" means, at any time, the annual rate of interest which Roynat establishes at its principal office in Toronto as the reference rate of interest which Roynat will charge for closed fixed rate term loans in Canadian dollars made to its customers in Canada for varying durations and which it refers to as "Roynat's Term Base Rate", for that duration of loan.

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### SECURITY

---

This financing will be secured by:

1. A Promissory note secured by collateral mortgage and GSA from Daco Manufacturing Ltd. providing:
  - A first charge on all fixed assets including land, building and any machinery and equipment necessary for the operation of the building.
  - A second floating charge on all other assets of the company which will permit you to deal with these assets in the ordinary course of business or give security to your Bankers by way of an assignment of Trade Accounts Receivable and Trade Inventories and first position on equipment.

2. A Guarantee on our standard form from Hank Vanderkam in the amount of \$250,000;

*The said guarantee will be released upon the loan principal reducing to \$2,000,000 or less and providing no other monetary or non-monetary defaults exist.*

3. A Priority Agreement with the Laurentian Bank of Canada satisfactory to Roynat.

Such further and/or additional security, certificates of independent legal advice, officer's certificates, legal and title opinions, and other supporting documents as we, or our solicitors, shall require.

Upon acceptance, our Solicitor will contact your Solicitor to obtain the information necessary to prepare the security documents. Our Solicitor's fees and disbursements will be for your account.

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#### INSURANCE

---

Insurance appropriate for the risks involved, will be maintained by you, with loss payable to either/or (as their interests may appear) Roynat Inc. and Roynat Capital Inc. as mortgagee. If requested, the policies are to be provided to us.

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#### ACCEPTANCE

---

This Offer of Finance and the attached schedules are open for acceptance until December 15, 2006. A commitment fee of \$12,000 is earned and payable at the time of acceptance and we acknowledge receipt of \$4,000 which will be applied towards this commitment as already been received and only the net balance is due on closing fee with the balance of \$8,000 now due.

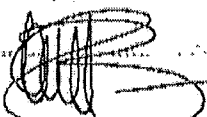
The undersigned may in its discretion arrange for the funding or assignment of all or part of the credit facilities provided for herein, either at the time of the initial disbursement or from time to time in the future, to an affiliate of the undersigned. Following such funding or assignment, the affiliated entity shall have all the rights, remedies and obligations in relation to the applicable credit facilities in lieu of the undersigned.

This Offer of Finance may be executed in any number of counterparts each of which when so executed shall be deemed to be an original and all of such counterparts taken together shall be deemed to constitute one and the same agreement. This Offer of Finance may be delivered, and be binding on the parties, upon the provision of telefaxed execution pages. The party delivering such telefaxed execution pages shall as soon as possible thereafter (and in any event within five days) deliver to the other party an originally executed copy.

Thank you for the opportunity to participate in your long-term financing requirements. We appreciate your business and look forward to receiving your acceptance.

Yours truly,

**Roynat Inc.**



Kenneth J. Brousseau  
Manager, Merchant Banking

**ACCEPTANCE**

Date Accepted: December 15, 2006

For: **Daco Manufacturing Ltd.**

By:

  
**Deepak Kashyap**

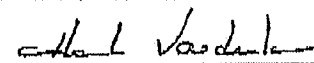
**GUARANTOR'S ACCEPTANCE**

**DATE ACCEPTED:** December 14, 2006

**FOR:**

**Hank Vanderkam**

**SIGNATURE:**





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**SCHEDULE "A"**

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**To Offer of Finance dated December 6, 2006**

**in the amount of \$2,400,000**

**made by Roynat Inc. to Daco Manufacturing Ltd.**

---

**WARRANTY**

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By your acceptance of this Offer of Finance, you warrant that all information which you furnish is true and correct.

---

**DISBURSEMENT**

---

1. Our funds are to be disbursed not later than January 31<sup>st</sup>, 2007 and extension of that date is subject to our approval.
2. Our funds will be disbursed after:
  - a) Completion of legal documentation, satisfactory to our solicitors.
  - b) You shall provide your authority, by letter written on your corporate letterhead in the format as outlined in the attached Schedule C, to Canada Revenue Agency permitting the release of information to Roynat Inc.
  - c) Satisfaction of insurance requirements.
  - d) Satisfaction of the following contingent condition(s):
    - i A dated and signed current personal financial statement (on Roynat's form) from Hank Vanderkam, guarantor for Daco Manufacturing Ltd. satisfactory to Roynat.
    - ii Copy of Laurentian Bank of Canada's Offer of Financing confirming LOC of \$3,000,000 and seasonal bulge of \$500,000 in form satisfactory to Roynat.
    - iii Environmental Questionnaire to be completed by Daco in form satisfactory to Roynat.
  - e) Other funds, if any, required to finance the Program have been provided.
3. Disbursement may be withheld if, in our opinion, a material adverse change in risk has occurred.

---

**STANDBY FEE**

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A standby fee of 2% per annum on the amount undisbursed will be calculated and payable on the 15th day of each month commencing Feb. 1, 2007. We may, at our option, deduct these fees from our disbursements.

---

**PREPAYMENT**

---

Prepayment in whole or in part may be made at any time upon payment of 3 months' interest or 3% of the principal amount prepaid, whichever is greater, provided the funds used for the prepayment have been internally generated from normal course business operations. If the funds are from any other source, then the prepayment penalty shall be 6 months' interest on the principal amount prepaid. Partial prepayment will be applied in reverse order of scheduled repayment.

However, you may prepay without penalty in each year, on the anniversary date of the loan, an amount not exceeding 10% of the balance outstanding at the date of prepayment, non-cumulative, providing the loan remains on a floating rate basis.

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**NON-COMPLETION FEE**

---

This Offer of Finance when accepted by you will be a binding contract. You will pay to us a non-completion fee equal to \$36,000 as well as any other accrued fees or charges if you:

- a) fail to complete the funding provided for herein and complete all or a portion of it with another lender;
- b) otherwise choose not to proceed with this financing save and except no non-completion fee is payable if the financing is intended to finance a purchase transaction and the financing does not proceed as a result of the seller's default;
- c) have failed to disclose to Roynat a material matter prior to the date hereof; or
- d) do not proceed diligently, in good faith and in a commercially reasonable manner towards satisfaction of the conditions of this financing and its funding.

---

**CONVERSION OPTION**

---

We shall, within 5 days of receipt of your written request to convert this financing to a fixed interest rate, confirm to you:

1. The rate that will apply.
2. The effective date of the conversion.
3. Any extension of the term of the financing that we may require.
4. The prepayment conditions that will apply following conversion.

If you wish to proceed with the conversion on these terms, you must accept our Amending Letter. If you do not accept our Amending Letter your conversion request will be considered as withdrawn.

Following conversion, interest at the fixed rate will be calculated and payable on the 15th day of each month. A fee of \$1,000 will be applicable to the conversion.

---

**UNDERLYING CONDITIONS**

---

1. Daco Manufacturing Ltd. Working Capital will be maintained at not less than a ratio of 1.20:1.
2. Daco Manufacturing Ltd. Debt Service Coverage (DSC) will be maintained at not less than 1.2 times.  
*DSC defined as net income + depreciation + amortization + deferred taxes divided by principal payments on long term debt + unfunded capital expenditures.*
3. A default within Laurentian Bank of Canada's Loan Agreement is to be considered a default within our Loan Agreement.
4. Voting control within Daco Manufacturing Ltd. may only change with Roynat's prior written approval. Voting control of the company will remain with Hank Vanderkam.
5. On request, you will provide Roynat with evidence (on a semi-annual basis, or more frequently if requested), confirming all superpriority remittances are current. Superpriorities include all statutory remittances including but not limited to source deductions for income tax, CPP, and Employment Insurance Premiums.
6. Postponement of shareholder loan from Hank Vanderkam in the amount of \$4,241,529.00.

recent date prior to such advance and showing the location of the building and indicating no encroachments, easements or rights of way, save those which Roynat may specifically accept.

- d) In the event the above mentioned surveys are not available, title insurance satisfactory to Roynat and its solicitors will be provided.

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**SCHEDULE "C"**

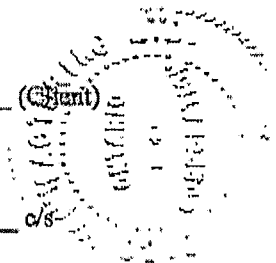
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**To Offer of Finance dated December 6, 2006****in the amount of \$2,400,000****made by Roynat Inc. to Daco Manufacturing Ltd.**

---

**CLIENT LETTERHEAD****AUTHORIZATION****TO:** Canada Revenue Agency**AND TO:** Roynat Inc. and/or Roynat Capital Inc. (name of creditor)**RE:** Daco mfg. LTD. (name of debtor)

Canadian Revenue Agency is hereby authorized and directed to release unto Roynat Inc. and/or Roynat Capital Inc. (name of creditor) or its solicitors any information concerning any past or present liability of Daco mfg. LTD. (client); Business Number: 8873 7557, pursuant to the Excise Tax Act and employee source deductions pursuant to the Income Tax Act, the Employment Insurance Act and the Canadian Pension Plan.

Dated the 15 day of DECEMBER, 2006.DACO MFG. LTD.Per: DEEPAK KASHYAPName: DEEPAK KASHYAPTitle: V.P. FINANCE



December 6, 2006

**Confidential**

Daco Manufacturing Ltd.  
 401 Vaughan Valley Blvd.  
 Woodbridge, Ontario  
 L4H 3B5

**Attention: Mr. Deepak Kashyap, Vice President, Finance**

Dear Mr. Kashyap:

**OFFER OF FINANCE**

We are pleased to offer you financing in the amount of \$2,400,000 to be allocated to the following program:

| PROGRAM                                    |                    |                       |                    |
|--|--------------------|-----------------------|--------------------|
| Purpose                                    |                    | Source                |                    |
| Refinance National Bank of Canada mortgage | 2,535,000          | Roynat Inc. Term Loan | 2,400,000          |
|  |                    | Working Capital       | 135,000            |
|  | <b>\$2,535,000</b> |                       | <b>\$2,535,000</b> |

Program changes may only be made with our prior written approval.

**REPAYMENT**

The principal amount of financing is to be repaid as follows:

| # of Payments | \$ Payment Amount | Payment Frequency | Payments Start | Payments End | \$ Total           |
|---------------|-------------------|-------------------|----------------|--------------|--------------------|
| 12            | 11,250            | Monthly           | 2007/02/15     | 2008/01/15   | 135,000            |
| 12            | 11,250            | Monthly           | 2008/02/15     | 2009/01/15   | 135,000            |
| 12            | 7,083             | Monthly           | 2009/02/15     | 2010/01/15   | 84,996             |
| 12            | 7,050             | Monthly           | 2010/02/15     | 2011/01/15   | 84,600             |
| 11            | 7,550             | Monthly           | 2011/02/15     | 2011/01/15   | 83,050             |
| 1             | 1,877,354         | Monthly           | 2012/01/15     | 2012/01/15   | 1,877,354          |
|               |                   |                   |                |              | <b>\$2,400,000</b> |

Rev. 12/12/2005

5150 Yonge Street, P.O. Box 35, Suite 1000, Toronto, Ontario M2N 6L0 T: 416 229-4221 F: 416 229-4760 www.roynat.com

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**Roynat** > CAPITAL**PERSONAL & CONFIDENTIAL**

March 25, 2008

Daco Manufacturing Ltd.  
401 Vaughan Valley Blvd.  
Woodbridge, Ontario  
L4H 3B5

**ATTENTION: Deepak Kashyap**

Dear: Mr. Kashyap:

We wish to advise you that the following amendment to our Offer of Finance dated December 6, 2006 has been authorized:

**INVESTMENT PARTICULARS:****1. CHANGE** Property Tax**FROM:**

You will pay on the 15th day of each month commencing February 15, 2007 an amount equal to 1/12th of your annual property taxes. These payments will be adjusted annually. You will provide us with your tax notification billing 30 days prior to each due date. We shall use these funds to pay your property taxes as they fall due. Should the funds we hold not be sufficient to make full payment, you undertake to pay to us any shortfall prior to the property tax due date. Otherwise the shortfall will be added to the pre-authorized payment of the month following with interest at the loan rate. You will not hold us responsible for any penalties, interest, etc. assessed because your property taxes are not fully paid on the due date. We shall credit you with interest at Roynat's Floating Base Rate minus 2% per annum on the funds we hold on deposit.

Roynat's Floating Base Rate for the monthly period will be the arithmetic average of the 1 month rate applicable to Canadian Dollar bankers' acceptances on each Business Day during the monthly period, plus .50%.

Notwithstanding the foregoing, in the event of default in payments of principal or interest due under your loan obligations with Roynat, you hereby acknowledge and agree that Roynat may, in its absolute discretion, apply any monies held by it on account of property taxes to principal, interest or monies due under your loan obligations with Roynat.



**TO:**

You must provide us "annually" with written evidence, satisfactory to Roynat, of payment of Property Taxes within 45 days of each calendar year end that the said taxes were due.

Failure to provide such confirmation, or confirmation that Property Taxes have fallen in arrears, shall result in Roynat again requesting the collecting by Pre-Authorized Payment System, the tax arrears and all future taxes payable.

We note that non-payment of property taxes will remain an event of default.

2. Funds held in property tax trust account plus any accrued interest will be refunded as appropriate.

All other terms and conditions of the financing remain the same.

We trust you will find the above to your satisfaction and request that you signify your acceptance on the attached copy of this letter and return it to the attention of the undersigned on or before, March 31, 2008.

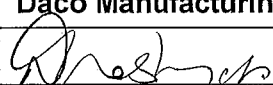
Yours truly,

**Roynat Inc.**

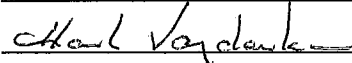


Ken Brousseau  
Associate Director

**ACCEPTANCE**

|                |   |
|----------------|---|
| Date Accepted: | March 26, 2008  |
| For:           | Daco Manufacturing Ltd.   |
| Signature:     |  |
| Name:          | Deepak Kashyap  |

**GUARANTOR'S ACCEPTANCE**

|                |   |
|----------------|---|
| Date Accepted: | March 26, 2008  |
| For:           | Hank Vanderkam  |
| Signature:     |  |



**Roynat > CAPITAL****PERSONAL & CONFIDENTIAL**

December 08, 2008

Daco Manufacturing Ltd.  
401 Vaughan Valley Blvd.  
Woodbridge, Ontario  
L4H 3B5

**ATTENTION: Deepak Kashyap**

Dear: Mr. Kashyap:

We wish to advise you that the following amendment to your Promissory note dated December 28, 2006 has been authorized:

**1. AMEND UNDERLYING CONDITIONS****From**

Postponement of shareholder loan from Hank Vanderkam in the amount of \$4,241,529.00.

**To:**

Postponement of shareholder loan from Hank Vanderkam in the amount of \$4,203,929.00.

All other terms and conditions of the financing remain the same.

We trust you will find the above to your satisfaction and request that you signify your acceptance on the attached copy of this letter and return it to the attention of the undersigned on or before, December 15, 2008.

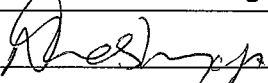
Yours truly,

**Roynat Inc.**




Ken Brousseau  
Associate Director

**ACCEPTANCE**

|                |   |
|----------------|---|
| Date Accepted: | Dec. 12, 2008   |
| For:           | Daco Manufacturing Ltd.   |
| Signature:     |  |
| Name:          | Deepak Kashyap  |

**GUARANTOR'S ACCEPTANCE**

|                |   |
|----------------|---|
| Date Accepted: | Dec 12, 2008  |
| For:           | Hank Vanderkam  |
| Signature:     |  |



**PERSONAL & CONFIDENTIAL**

February 10, 2011

Daco Manufacturing Ltd.  
401 Vaughan Valley Blvd.  
Woodbridge, Ontario  
L4H 3B5

**ATTENTION: Deepak Kashyap**

Dear: Mr. Kashyap:

We wish to advise you that the following amendment to your Promissory note dated December 28, 2006 has been authorized:

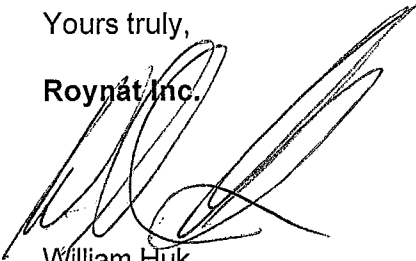
**Security**

1. **Record** the release of the guarantee on our standard form from Hank Vanderkam in the amount of \$250,000 effective August 15, 2010, per the Offer of Finance.

All other terms and conditions of the financing remain as stipulated.

Yours truly,

**Roynat Inc.**



William Huk  
Director



# Roynat > CAPITAL

## PERSONAL & CONFIDENTIAL

June 22, 2011

Daco Manufacturing Ltd.  
401 Vaughan Valley Blvd.  
Woodbridge, Ontario  
L4H 3B5

### ATTENTION: Deepak Kashyap

Dear: Mr. Kashyap:

We wish to advise you that the following amendment to our Offer of Finance dated December 6, 2006 and Promissory note dated December 28, 2006 (both together with any subsequent amendments thereto) has been authorized:

### Investment Particulars

1. **CHANGE** the borrower by way of assumption agreement, as follows:

**From:** Daco Manufacturing Ltd.  
**To:** Real Estate Holdco To Be Incorporated (REHTBI)

2. **AMEND** the repayment schedule as follows:

**From:**

| # of Payments | \$ Payment Amount | Payment Frequency | Payments Start | Payments End | \$ Total           |
|---------------|-------------------|-------------------|----------------|--------------|--------------------|
| 6             | 7,550             | Monthly           | 2011/07/15     | 2011/12/15   | 45,300             |
| 1             | 1,877,354         | Once              | 2012/01/15     | 2012/01/15   | 1,877,354          |
|               |                   |                   |                |              | <u>\$1,922,654</u> |

**To:**

| # of Payments | \$ Payment Amount | Payment Frequency | Payments Start | Payments End | \$ Total           |
|---------------|-------------------|-------------------|----------------|--------------|--------------------|
| 59            | 8,010             | Monthly           | 2011/07/15     | 2016/05/15   | 472,590            |
| 1             | 1,450,064         | Once              | 2016/06/15     | 2016/06/15   | 1,450,064          |
|               |                   |                   |                |              | <u>\$1,922,654</u> |

3. **ADD** to our security the following:

An assignment of the lease and proceeds thereof to be entered into by REHTBI with Daco Manufacturing Ltd., with lease payments sufficient to make our principal and



interest payments as well as clauses allowing increases in rents to cover increased interest rates for floating rate loans.

**4. REPLACE** all of the existing underlying conditions with the following:

- a) REHTBI and your associated company, namely Daco Manufacturing Ltd., will maintain combined working capital at 1.20:1, tested annually
- b) REHTBI and your associated company, namely Daco Manufacturing Ltd., will maintain combined debt servicing of 1.20:1, tested annually. Debt servicing will be defined as consolidated net income, plus deferred taxes, plus amortization/depreciation, plus interest on long term debt, *divided by* all principal and interest payments on long term debt, unfunded capital expenditures, and any paid dividends.
- c) Postponement of shareholder loans in Daco Manufacturing Ltd. from Hank Vanderkam in the amount of \$3,750,000.
- d) Voting control of REHTBI, to be vested in Common Share Holdco To Be Incorporated (CSHTBI), and controlled by Hank Vanderkam, may only change with Roynat's prior written approval.
- e) Voting control of Daco Manufacturing Ltd., to be vested in CSHTBI, and controlled by Hank Vanderkam, may only change with Roynat's prior written approval.
- f) Voting control of CSHTBI to be vested in Hank Vanderkam, may only change with Roynat's prior written approval.
- g) On request, you will provide Roynat with evidence (on a semi-annual basis, or more frequently if requested), confirming all superpriority remittances are current for you and any related companies, namely Daco Manufacturing Ltd. Superpriorities include all statutory remittances including but not limited to source deductions for income tax, CPP, and Employment Insurance Premiums.

**5. AMEND** financial reporting as follows:

**From:**

Audited financial statements of Daco Manufacturing Ltd. must be provided within 120 days after the end of each fiscal year end and in-house semi-annual financial statements within 60 days after the end of each half-year.

**To:**

REHTBI annual financial statements, which must be prepared on a Notice to Reader basis by a firm of licensed public accountants, must be provided within 120 days after the end of each fiscal year.

You will cause CSHTBI to provide its statements on the same basis

You will also cause Daco Manufacturing Ltd. to provide its financial statements as follows:

Annual financial statements, which must be prepared on an audited basis by a firm of licensed public accountants, must be provided within 120 days after the end of each fiscal year and their unaudited semi-annual financial statements within 60 days after the end of each half-year.

We may require audited annual financial statements and you will provide them on all subsequent year-ends after receipt of our written request. All unaudited financial statements will be approved by the signature of an Officer of the Company.

6. **PERMIT** Daco Manufacturing Ltd.'s solicitor Borden Ladner Gervais to draft Assumption Agreement and any other documentation, to be reviewed by a Roynat solicitor. All legal fees are for the client's account.

#### **COMPANY TO BE INCORPORATED**

Until incorporation of the companies, the person who accepts this Amending Letter shall be deemed to have accepted it in their personal capacities. Upon adoption of this Amending Letter by the companies, such person will cease to be bound.

All other terms and conditions of the financing remain as stipulated.

We trust you will find the above to your satisfaction and request that you signify your acceptance on the attached copy of this letter and return it to the attention of the undersigned as soon as possible.

Yours truly,

**Roynat Inc.**

 William Huk  
Director

#### **ACCEPTANCE**

|               |                                |
|---------------|--------------------------------|
|               | <b>Daco Manufacturing Ltd.</b> |
| <i>Per:</i>   |                                |
| <i>Name:</i>  |                                |
| <i>Title:</i> |                                |
| <i>Date:</i>  |                                |

|               |  |
|---------------|--|
|               | <b>Real Estate Holdco To Be Incorporated</b> |
| <i>Per:</i>   |  |
| <i>Name:</i>  |  |
| <i>Title:</i> |  |
| <i>Date:</i>  |  |

|               |   |
|---------------|---|
|               | <b>Common Share Holdco To Be Incorporated</b> |
| <i>Per:</i>   |   |
| <i>Name:</i>  |   |
| <i>Title:</i> |   |
| <i>Date:</i>  |   |



# Roynat > CAPITAL

## PERSONAL & CONFIDENTIAL

October 19, 2011

Daco Manufacturing Ltd.  
401 Vaughan Valley Blvd.  
Woodbridge, Ontario  
L4H 3B5

### ATTENTION: Deepak Kashyap

Dear: Mr. Kashyap:

We are pleased to offer the extension of your Promissory note issued to you in our favour in the amount of \$2,400,000 which falls due January 15, 2012.

The extension is offered subject to the following changes to terms and conditions of that financing being agreed to:

#### 1. REPAYMENT

From:

| # of Payments | \$ Payment Amount | Payment Frequency | Payments Start | Payments End | \$ Total           |
|---------------|-------------------|-------------------|----------------|--------------|--------------------|
| 2             | 7,550             | Monthly           | 2011/11/15     | 2011/12/15   | 15,100             |
| 1             | 1,877,354         | Once              | 2012/01/15     | 2012/01/15   | 1,877,354          |
|               |                   |                   |                |              | <u>\$1,892,454</u> |

To:

| # of Payments | \$ Payment Amount | Payment Frequency | Payments Start | Payments End | \$ Total           |
|---------------|-------------------|-------------------|----------------|--------------|--------------------|
| 59            | 8,010             | Monthly           | 2011/11/15     | 2016/09/15   | 472,590            |
| 1*            | 1,419,864         | Once              | 2016/10/15     | 2016/10/15   | 1,419,864          |
|               |                   |                   |                |              | <u>\$1,892,454</u> |

\*Note: We will permit a one-time prepayment in the amount of \$500,000 without penalty by November 30th (to be applied to the balloon payment).

#### 2. INTEREST

Interest will be payable on the 15th day of each month at Roynat's Floating Base Rate plus 2.25% per annum.

We shall advise you monthly of the interest rate in effect and the amount payable on the 15th of that month.

Roynat's Floating Base Rate for the monthly period will be the arithmetic average of the 1 month rate applicable to Canadian Dollar Bankers' Acceptances on each Business Day during the monthly period plus .50%.

### 3. PREPAYMENT

Prepayment in whole or in part may be made at any time upon payment of 3 months' interest or 3% of the principal amount prepaid, whichever is greater, provided the funds used for the prepayment have been internally generated from normal course business operations. If the funds are from any other source, then the prepayment penalty shall be 6 months' interest on the principal amount prepaid. Partial prepayment will be applied in reverse order of scheduled repayment.

However, you may prepay without penalty in each year, on the anniversary date of the loan, an amount not exceeding 10% of the balance outstanding at the date of prepayment, non-cumulative, providing the loan remains on a floating rate basis.

We will permit a one-time prepayment in the amount of \$500,000 without penalty in the next 45 days.

### 4. INSURANCE

The existing insurance will be extended for the term of the financing.

### 5. PROPERTY TAXES

**CONTINUE** to provide written evidence of payment within 45 days of each calendar year end.

### 6. PRE-AUTHORIZED PAYMENT SYSTEM

**CONTINUE** with existing pre-authorized payment system.

### 7. AMENDMENT FEE

An amendment fee of \$500 to be collected by pre-authorized payment on November 15, 2011.


All other terms and conditions of the financing will remain unchanged. \*

We trust you will find the above to your satisfaction and request that you signify your acceptance on the attached copy of this letter and return it to the attention of the undersigned as soon as possible.

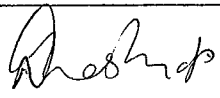
Yours truly,

Roynat Inc.

  
William Huk  
Director

\* Postponement of shareholder loan  
from Hank Vanderkam in the  
amount of \$2,000,000  


**ACCEPTANCE**

|        |   |
|--------|---|
|        | <b>Daco Manufacturing Ltd.</b>  |
| Per:   |  |
| Name:  | DGS/ALC KASHYAP   |
| Title: | V.L. Finance  |
| Date:  | Oct. 26/2011.   |





**Roynat** > CAPITAL**PERSONAL & CONFIDENTIAL**

July 12, 2012

Daco Manufacturing Ltd.  
401 Vaughan Valley Blvd.  
Woodbridge, Ontario  
L4H 3B5

**ATTENTION: Mr. Deepak Kashyap**

Dear Mr. Kashyap:

We wish to advise you that the following amendment to your Promissory note dated December 28, 2006 has been authorized:

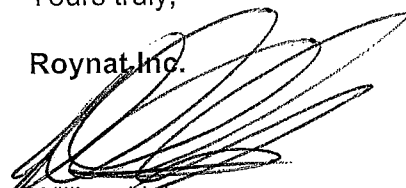
**SECURITY**

1. **PERMIT** the creation of a beneficial interest/bare trust for the real estate in the name of Daco Canada Real Estate Holdings Ltd.
2. **ADD** corporate guarantee on our standard form, of Daco Canada Real Estate Holdings Ltd. for the full amount of financing, supported by our standard General Security Agreement providing a 1<sup>st</sup> fixed charge on all assets of the company
3. **ADD& EXECUTE** acknowledgement and direction which stipulates creation of beneficial interest/bare trust will not impair or otherwise change Roynat's existing security ranking/enforcement, or terms and conditions of the financing.

All other terms and conditions of the financing will remain unchanged.

Yours truly,

**Roynat Inc.**



William Luk  
Director



**Roynat > CAPITAL****PERSONAL & CONFIDENTIAL**

September 5, 2012

Daco Manufacturing Ltd.  
401 Vaughan Valley Blvd.  
Woodbridge, Ontario  
L4H 3B5

**ATTENTION: Mr. Deepak Kashyap**

Dear Mr. Kashyap:

We wish to advise you that the following amendment to your Promissory note dated December 28, 2006 has been authorized:

**FINANCIAL REPORTING:**

1. **REMOVE** Audited financial statements must be provided within 120 days after the end of each fiscal year end and in-house semi-annual financial statements within 60 days after the end of each half-year end provided by Daco Manufacturing Ltd.
2. **ADD** Review Engagement financial statements must be provided within 90 days after the end of each fiscal year end and in-house semi-annual financial statements within 60 days after the end of each half-year end provided by Daco Manufacturing Ltd.

All other terms and conditions of the financing will remain unchanged.

Yours truly,

**Roynat Inc.**



William Huk  
Director





**PERSONAL & CONFIDENTIAL**

November 27, 2012

Daco Manufacturing Ltd.  
401 Vaughan Valley Blvd.  
Woodbridge, Ontario  
L4H 3B5

**ATTENTION: Mr. Deepak Kashyap**

Dear Mr. Kashyap:

We wish to advise you that the following amendment to your Promissory note dated December 28, 2006 has been authorized:

1. Change financial statement requirements as follows:

**FROM:**

Review Engagement financial statements must be provided within 90 days after the end of each fiscal year end and in-house semi-annual financial statements within 60 days after the end of each half-year end provided by **Daco Manufacturing Ltd.**

**TO:**

Review Engagement financial statements must be provided within 90 days after the end of each fiscal year end and in-house semi-annual financial statements within 60 days after the end of each half-year end provided by **Daco Group of Companies.**

All other terms and conditions of the financing will remain unchanged.

Yours truly,

**Roynat Inc.**

A large, stylized handwritten signature in black ink, appearing to be "William Huk".

William Huk  
Director & District Manager



**Roynat > CAPITAL**

March 6, 2013

**Confidential**

Daco Manufacturing Ltd.  
401 Vaughan Valley Blvd.,  
Woodbridge, ON L4H 3B5

Attention: Mr. Deepak Kaskyap

Dear Mr. Kashyap:

We wish to advise you that the following changes to our Offer of Finance dated December 6, 2006 have been authorized:

1. Change financial statement requirements as follows:

**FROM:**

Review Engagement financial statements must be provided within 90 days after the end of each fiscal year end and in-house semi-annual financial statements within 60 days after the end of each half-year end provided by **Daco Group of Companies**.

**TO:**

Your (Daco Manufacturing Ltd.) annual financial statements, which must be prepared on a non-audit review basis by a firm of licensed public accountants, must be provided within 90 days after the end of each fiscal year and your unaudited semi-annual financial statements within 60 days after the end of each half-year. We may require audited annual financial statements and you will provide them on all subsequent year-ends after receipt of our written request. All unaudited financial statements will be approved by the signature of an Officer of the Company.

You will also cause Daco Group of Companies to provide its financial statements as follows:

Annual financial statements, which must be prepared on a non-audit review basis by a firm of licensed public accountants, must be provided within 90 days after the end of each fiscal year. We may require audited annual financial statements and you will provide them on all subsequent year-ends after receipt of our written request.

2. REPLACE all of the underlying conditions with the following:

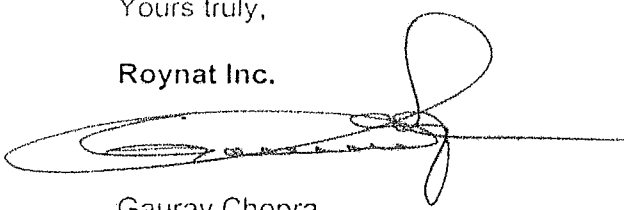
- a) You and your associated company, consolidated into the Daco Group of Companies, will maintain combined working capital at 1.20:1, tested annually.
- b) You and your associated company, consolidated into the Daco Group of Companies, will maintain combined debt servicing of 1.20:1, tested annually. Debt servicing will be defined as consolidated net income, plus deferred taxes, plus amortization/depreciation, plus interest on long term debt, *divided by* all principal and interest payments on long term debt, unfunded capital expenditures, and any paid dividends.
- c) Postponement of shareholder loans in Daco Manufacturing Ltd. from Hank Vanderkam in the amount of \$2,000,000.
- d) Voting control within Daco Manufacturing Ltd. may only change with Roynat's prior written approval. Voting control of the company will remain with Hank Vanderkam.
- e) On request, you will provide Roynat with evidence (on a semi-annual basis, or more frequently if requested), confirming all superpriority remittances are current for you and any related companies, namely Daco Manufacturing Ltd. Superpriorities include all statutory remittances including but not limited to source deductions for income tax, CPP, and Employment Insurance Premiums.

All other terms and conditions remain as originally stated in the Offer of Finance, and Amendment thereto.

We trust you will find the above to your satisfaction and request that you signify your acceptance on the attached copy of this letter and return it to the attention of the undersigned as soon as possible.

Yours truly,

Roynat Inc.



Gaurav Chopra  
Associate Director



ACCEPTANCE

|          |                         |
|----------|-------------------------|
| Company: | Daco Manufacturing Ltd. |
| Per:     | <i>[Signature]</i>      |
| Name:    | DEEPAK KASHYAP          |
| Title:   | V.P. FINANCE            |
| Date:    | March 22, 2013          |

GURANTOR'S ACCEPTANCES

|          |                                       |
|----------|---------------------------------------|
| Company: | Daco Canada Real Estate Holdings Ltd. |
| Per:     | <i>[Signature]</i>                    |
| Name:    | DEEPAK KASHYAP                        |
| Title:   | V.P. FINANCE                          |
| Date:    | March 22, 2013                        |



# Roynat > CAPITAL

November 6, 2013

## Confidential

Daco Manufacturing Ltd.  
401 Vaughan Valley Blvd.  
Woodbridge, ON L4H 3B5

### Attention: Mr. Deepak Kaskyap

Dear Mr. Kashyap:

We understand that as at June 30, 2013 and to this date, Daco Manufacturing Ltd. (the "Company") has failed to maintain a Debt Service Coverage for Daco Group of Companies of greater than 1.20:1 (actual based on financial statement dated June 30, 2013 is 0.08: 1) as described in the terms of the Offer of Finance dated December 6, 2006 (the "Offer") and any subsequent Security and amendments thereto (Collectively referred to as "our Agreements").

Without giving up any of its rights stipulated in our Offer of Finance and Security, Roynat Inc. advises that it does not intend to take any action precipitated by the above defaults at this juncture. However, in the event of material adverse changes or circumstances in the Company's business, we reserve the right to take action accordingly.

We also like to advise you that the following changes to our Offer of Finance dated December 6, 2006 have been authorized:

1. **AMEND** the financial statement as follows:

**FROM:** Your (Daco Manufacturing Ltd.) annual financial statements, which must be prepared on a non-audit review basis by a firm of licensed public accountants, must be provided within 90 days after the end of each fiscal year and your unaudited semi-annual financial statements within 60 days after the end of each half-year. We may require audited annual financial statements and you will provide them on all subsequent year-ends after receipt of our written request. All unaudited financial statements will be approved by the signature of an Officer of the Company.

You will also cause Daco Group of Companies to provide its financial statements as follows:

Annual financial statements, which must be prepared on a non-audit review basis by a firm of licensed public accountants, must be provided within 90 days after the end of each fiscal year. We may require audited annual financial statements and you will provide them on all subsequent year-ends after receipt of our written request

**TO:** Your (Daco Manufacturing Ltd.) annual financial statements, which must be prepared on a **Notice to Reader** basis by a firm of licensed public accountants, must be provided within 90 days after the end of each fiscal year and your unaudited semi-annual financial statements within 60 days after the end of each half-year. We may require audited annual financial statements and you will provide them on all subsequent year-ends after receipt of our written request. All unaudited financial statements will be approved by the signature of an Officer of the Company.

You will also cause Daco Group of Companies to provide its financial statements as follows:

Annual financial statements, which must be prepared on a non-audit review basis by a firm of licensed public accountants, must be provided within 90 days after the end of each fiscal year. We may require audited annual financial statements and you will provide them on all subsequent year-ends after receipt of our written request

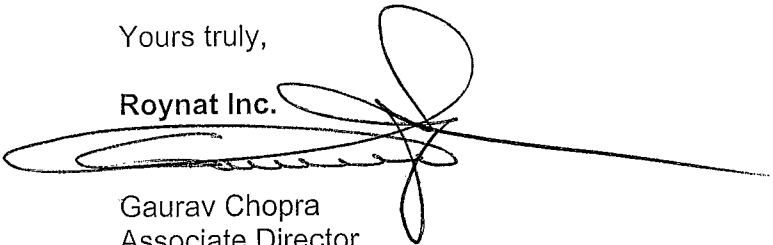
All legal fees will be for the account of the Company.

All other terms and conditions remain as originally stated in the Offer of Finance, and Amendment thereto.

Yours truly,

**Roynat Inc.**

Gaurav Chopra  
Associate Director

A handwritten signature in black ink, appearing to be 'Gaurav Chopra', is written over the printed name. The signature is stylized with a large loop at the end.



# Roynat > CAPITAL

November 10, 2014

## Confidential

Daco Manufacturing Ltd.  
401 Vaughan Valley Blvd.  
Woodbridge, ON L4H 3B5

### Attention: Mr. Deepak Kaskyap

Dear Mr. Kashyap:

We understand that as at June 30, 2014 and to this date, Daco Manufacturing Ltd. (the "Company") has failed to maintain a Debt Service Coverage for Daco Group of Companies of greater than 1.20: 1 as described in the terms of the Offer of Finance dated December 6, 2006 (the "Offer") and any subsequent Security and amendments thereto (Collectively referred to as "our Agreements").

Without giving up any of its rights stipulated in our Offer of Finance and Security, Roynat Inc. advises that it does not intend to take any action precipitated by the above defaults at this juncture. However, in the event of material adverse changes or circumstances in the Company's business, we reserve the right to take action accordingly.

We also like to advise you that the following changes to our Offer of Finance dated December 6, 2006 has been authorized:

1. **AMEND** interest as follows (effective Nov 15, 2014):
 

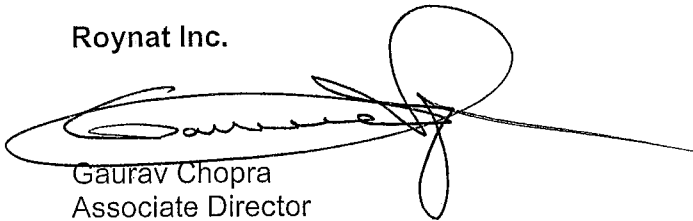
|              |   |
|--------------|---|
| <b>FROM:</b> | Interest will be payable on the 15 <sup>th</sup> day of each month at Roynat's Floating Base Rate plus 2.25% per annum. |
| <b>TO:</b>   | Interest will be payable on the 15 <sup>th</sup> day of each month at Roynat's Floating Base Rate plus 4.00% per annum. |
2. **CHARGE** \$2,000 default fee on December 15, 2014 pre-authorized payment.

All legal fees will be for the account of the Company.

All other terms and conditions remain as originally stated in our Agreements and subsequent Amending Letters thereto. We request that you signify your acceptance on the attached copy of this letter and return it to the attention of the undersigned.

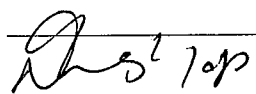
Yours truly,

Roynat Inc.




Gaurav Chopra  
Associate Director

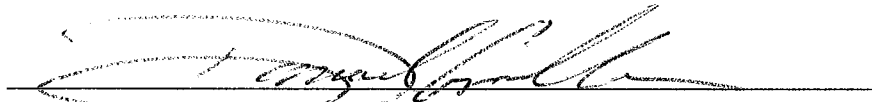
**ACCEPTANCE**

|          |   |
|----------|---|
| Company: | Daco Manufacturing Ltd.   |
| Per:     |  |
| Name:    | DEEPAK KASHYAP  |
| Title:   | PRESIDENT   |
| Date:    | NOV-12/2014   |

**GURANTOR'S ACCEPTANCES**

|          |   |
|----------|---|
| Company: | Daco Canada Real Estate Holdings Ltd.   |
| Per:     |  |
| Name:    | DEEPAK KASHYAP  |
| Title:   | PRESIDENT   |
| Date:    | NOV. 12/2014  |

**THIS IS EXHIBIT "J" REFERRED TO IN THE**  
**AFFIDAVIT OF**  
**MATTHEW LUNETTA**  
**SWORN**  
**THE 3<sup>RD</sup> DAY OF JUNE, 2015**



**A Commissioner for taking affidavits, etc.**

**DANIEL PHILIP CIPOLLONE,**  
a Commissioner, etc., **Province of Ontario,**  
while a Student-at-Law.  
Expires April 8, 2016.



**SECURED NOTE – FLOATING RATE – Principal and Interest**

To: ROYNAT INC. ("Roynat")

Address: 5160 Yonge Street, Suite 1000, Toronto, Ontario, M2N 6L9

Facsimile No. (416) 229-4760

Debtor's Name: **DACO MANUFACTURING LTD.** (the "Debtor")

Chief Executive Office Address: 401 Vaughan Valley Blvd., Woodbridge, Ontario, L4H 3B5

Facsimile No. (905)

**SECURED NOTE**\$ 2,400,000Date: December 28, 2006

1. The Debtor for value received hereby promises to pay to Roynat, at its address specified above, the principal sum of Two Million Four Hundred Thousand Dollars (\$2,400,000) with interest at the Loan Rate, as hereinafter defined, on the balance of principal from time to time outstanding computed from the respective dates of advance of the moneys by Roynat to the Debtor until payment of all principal and interest, and also all other moneys which may from time to time be owing hereunder.

2. **Principal Payments.** Subject to the provisions of this Note, this Note shall mature and become due and payable by (i) twenty-four (24) principal instalments, each in the amount of \$11,250, payable on the 15th day of each month from and including February 15, 2007 to and including January 15, 2009, (ii) twelve (12) principal instalments, each in the amount of \$7,083, payable on the 15th day of each month from and including February 15, 2009 to and including January 15, 2010, (iii) twelve (12) principal instalments, each in the amount of \$7,050, payable on the 15th day of each month from and including February 15, 2010 to and including January 15, 2011, (iv) eleven (11) principal instalments, each in the amount of \$7,550, payable on the 15th day of each month from and including February 15, 2011 to and including December 15, 2011, and (v) the balance of the said principal sum together with interest and all other moneys owing hereunder shall become due and be paid on January 15, 2012.

3. **Interest.** Interest accrued during each Interest Period shall be calculated and payable monthly on the first day following such Interest Period at a rate (the "Loan Rate") which is 2.25% per annum greater than the Roynat's Floating Base Rate for the Applicable Period, all determined as herein provided. Interest shall accrue at the Loan Rate in force from time to time, both before and after maturity, default or judgment and with interest on overdue interest at the same rate. Roynat shall notify the Debtor at least five days prior to each interest payment date of the Roynat's Floating Base Rate for the Applicable Period but the non-receipt of any such notice shall in no way limit or negate the obligation of the Debtor to pay interest on such payment date. The first interest payment date shall be January 15, 2007.

4. **Prepayment.** The Debtor may prepay this Note prior to maturity either in whole at any time or, when not in default hereunder, in part from time to time on not less than 30 days' written notice at a price equal to the principal amount being prepaid plus, if the prepayment monies are generated from the ordinary course business operations of the Debtor, an additional amount equal to the greater of (x) three months' interest on such principal amount at the Loan Rate in effect on the date fixed by the Debtor for prepayment and (y) 3% of the principal amount being prepaid and, if the prepayment monies are from any other source, an additional amount equal to six months' interest at the Loan Rate on the principal amount prepaid, together in each case with accrued and unpaid interest on such principal amount to the date fixed for prepayment and, in the case of prepayment in whole, all other moneys owing hereunder.

Notwithstanding the foregoing paragraph, the Company may, when not in default hereunder and provided that the interest rate remains a floating rate, on not less than 10 days' written notice, redeem up to 10% of the principal amount outstanding on the date fixed by the Company for redemption at a price equal to the principal amount being redeemed, together with accrued and unpaid interest on such principal amount to the date fixed for redemption. This right may be exercised once during each 12 month period following the date of the initial advance of funds hereunder, and shall be non-cumulative.

4A. **Conversion to Fixed Interest Rate.** The Company may at any time request that Roynat provide a quotation as to the availability of fixed interest rates on the principal of this Note. Within 5 days after receipt of such request, Roynat shall provide a written offer to the Company, offering specified rates of interest for a selection of fixed interest periods as Roynat may then be able to

provide and specifying a date from which the conversion would be effective (the "Conversion Date"). Such rates of interest shall be 2.25% above Roynat's Term Base Rate for the relevant periods. The offer shall stipulate any extensions of the term of this Note that Roynat may require. If the Company accepts such offer by selecting the applicable interest rate and fixed interest period, the rate so specified and accepted shall be the "Loan Rate" for all purposes of this Note from and after the Conversion Date for the fixed interest period selected. If such period expires before the end of the agreed extended term, the rate of interest on this Note shall revert to the variable rate, as provided in Section 3 hereof for the balance of the agreed extended term, but the Company may thereafter avail itself again of the provisions of this Section 4A. The Company shall forthwith execute and deliver such documentation, if any, as Roynat shall request to give effect to any interest rate conversion or extension of the term of this Note. The Company shall have no right to prepay this Note after conversion to a constant interest rate except as may be specified in the offer from Roynat accepted by the Company, notwithstanding the provisions of Section 4 hereof. Upon conversion a fee of \$1,000 shall be payable by the Company to Roynat.

For the purposes of this Section:

"Roynat's Term Base Rate" means, at any time, the annual rate of interest which Roynat establishes at its principal office in Toronto as the reference rate of interest which Roynat will charge for closed fixed rate term loans in Canadian dollars made to its customers in Canada for varying durations and which it refers to as "Roynat's Term Base Rate" for that duration of loan.

5. **Partial Payments.** In case less than the total principal amount of this Note is prepaid at any time, the principal amount so prepaid shall be applied to the principal payable hereunder in inverse order of maturity.

6. **Notice and Payments.** Any payments not received by Roynat by two o'clock p.m. on a Business Day shall be deemed to have been received on the next Business Day. Any notice required or desired to be given hereunder or under any instrument supplemental hereto shall be in writing and may be given by personal delivery, by facsimile or other means of electronic communication or by sending the same by registered mail, postage prepaid, to Roynat or to the Debtor at their respective addresses set out above and, in the case of electronic communication, to the facsimile numbers set out above. Any notice so delivered shall be conclusively deemed given when personally delivered and any notice sent by facsimile or other means of electronic transmission shall be deemed to have been delivered on the Business Day following the sending of the notice, and any notice so mailed shall be conclusively deemed given on the third Business Day following the day of mailing, provided that in the event of a known disruption of postal service, notice shall not be given by mail. Any address for notice or payments herein referred to may be changed by notice in writing given pursuant hereto.

7. **Maximum Recovery.** If any amounts, whether on account of interest, fees, bonus or additional consideration, becomes payable to or is received by Roynat pursuant to this Note, the Offer of Finance, any security document or other agreement which would exceed the maximum amount recoverable under applicable law on moneys advanced by Roynat:

- (a) any amounts so payable shall be reduced and are hereby limited to the maximum amount recoverable under applicable law;
- (b) any amounts so received by Roynat shall, at Roynat's option, either be returned to the Debtor or, notwithstanding Section 4 hereof, be deemed to have been received by Roynat as a partial prepayment of this Note and shall be credited against principal payable hereunder in inverse order of maturity; and
- (c) if paragraph (a) requires the reduction in an amount or amounts payable to Roynat, Roynat in its sole discretion shall determine which amount or amounts shall be reduced to ensure compliance with this Section 7.

8. **Covenants.**

The Company covenants with Roynat that so long as this Note remains outstanding the Company shall:

- (i) execute and deliver all such documents as may be necessary to maintain in force the pre-authorized payment system specified in the Offer of Finance;
- (ii) maintain its Working Capital ratio at not less than 1.20 to 1.00;
- (iii) maintain its Fixed Charge Coverage Ratio at not less than 1.20 to 1.00;

9. **Offer of Finance, Security.** This Note is being issued by the Debtor to Roynat pursuant to the terms of a letter agreement between the Debtor and Roynat dated December 6, 2006 (such letter agreement, as amended, restated or substituted for from time to time, the "Offer of Finance"). All terms and conditions of the Offer of Finance shall remain in full force and effect except to the

extent inconsistent with the provisions of this Note. This Note is entitled, inter alia, to the benefit of the Security. All advances of funds hereunder shall be deemed advances under the Security

10. **Events of Default.** At the sole option of Roynat and without any notice, demand, presentment for payment, division and discussion, or protest of any kind (the benefit of each of which is waived by the Debtor and any guarantor), the whole of the principal balance remaining unpaid together with interest and other moneys owing hereunder shall become immediately due and payable and the Security shall become enforceable in each of the following events:

- (a) if the Debtor defaults in payment of the principal of or interest on this Note or on any other indebtedness of the Debtor to Roynat when the same becomes due;
- (b) if the Debtor defaults in respect of any other indebtedness; or
- (c) if an event of default as defined in the Security should occur.

11. **Waiver of Notice.** The extension of time for making any payment which is due and payable hereunder at any time or the failure, delay or omission on the part of Roynat to exercise or enforce any rights or remedies of Roynat hereunder or under the Security shall not constitute a waiver of the right of Roynat to enforce such rights and remedies thereafter.

12. **No Obligation to Advance.** Neither the issue and delivery of this Note nor the advance of any funds hereunder shall obligate Roynat to advance any further funds.

13. **Interpretation.** In this Note:

- (a) "Applicable Period", with respect to any Interest Period, means the period commencing on the 8th day of the month in which such Interest Period commences and ending on the 7th day of the following month, except that if the rate of interest hereunder is being determined:
  - (i) for the purpose of prepayment by the Debtor, the Applicable Period shall end on the 7th day preceding the prepayment date;
  - (ii) for any other purpose, other than the payment of interest on the day following an Interest Period, the Applicable Period shall end on the day preceding the day on which the rate is being determined and the following Applicable Period shall commence on such day and end on the next following 7th day of a month.
- (b) "Business Day" means any day except Saturday, Sunday or a statutory holiday.
- (c) "EBITDA" of the Company for a particular period of the Company means the income (or loss) of the Company for such period before deductions on account of interest, taxes, depreciation, amortization and before any payments on account of capital leasing for such period, determined in accordance with GAAP for such period, after provision for matters and adjustments not otherwise contemplated herein to arrive at a fair determination for the purposes hereof, but excluding for all purposes:
  - (A) extraordinary items of income or expense;
  - (B) prior period adjustments; or
  - (C) adjustments for goodwill.
- (d) "Fixed Charge Coverage Ratio" of the Company means the ratio of its EBITDA (less cash taxes paid and unfunded capital expenditures incurred in the previous twelve (12) month period) to Fixed Charges calculated in accordance with generally accepted accounting principles with any dissent as to the calculation thereof being conclusively resolved by Roynat.
- (e) "Fixed Charges" means, at any time, the current portion of long term debt and interest payments which the Company was required to make during the previous twelve (12) month period plus unfunded capital expenditures made by the Company during such period.

- (f) "Interest Period" shall mean each monthly period commencing on the 15th day of a month and ending on the 14th day of the following month.
- (g) "Roynat" means Roynat Inc., its successors and assigns and, where applicable, includes those for whom it acts as nominee or agent.
- (h) "Roynat's Floating Base Rate for the Applicable Period" means, with respect to any Applicable Period, the arithmetic average (rounded to three decimal places) of the annual rate of interest which is the rate determined as being the arithmetic average of the "BA 1 month" rate applicable to Canadian Dollar bankers' acceptances displayed and identified as such on the "Reuters' Screen CDOR Page" (as defined in the International Swap Dealer Association, Inc. definitions, as modified and amended from time to time) as at approximately 10:00 a.m. (Toronto, Ontario time) on each Business Day during such Applicable Period, plus .50%; provided, however, if such rate does not appear on the Reuters' Screen CDOR Page as contemplated on any Business Day during such Applicable Period, then the rate on such Business Day shall be the Prime Lending Rate of The Bank of Nova Scotia as at approximately 10:00 a.m. (Toronto, Ontario time) on such Business Day.
- (i) "Security" means any security given by the Debtor to Roynat from time to time over its undertaking, property and assets or any part thereof.
- (j) "Working Capital" of the Company means the excess of its current assets over its current liabilities calculated in accordance with generally accepted accounting principles with any dissent as to the calculation thereof being conclusively resolved by Roynat.

14. **Invalidity, etc.** Each of the provisions contained in this Note is distinct and severable and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision of this Note.

15. **Interest Calculations.** Interest payable on the Note shall be payable both before and after demand, default and judgement at the Loan Rate with interest on overdue interest at the same rate. For the purposes of the Interest Act (Canada), the yearly rate of interest applicable to amounts owing on this Note shall be calculated on the basis of a 365 day year.


16. **Waiver of Formalities.** The Debtor hereby waives presentment for payment, notice of non-payment, protest, notice of protest, notice of dishonour and diligence in collection or bringing suit.

17. **Governing Law.** This Note shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the Debtor hereby attorns to the jurisdiction of the courts of such province.

18. **Assignment.** This Note may be assigned by Roynat to any other person and, if so assigned, the assignee shall have and be entitled to exercise any and all discretions, rights and powers of Roynat hereunder, and all references herein to Roynat shall include such assignee. The Debtor may not assign this Note or any of its rights or obligations hereunder. This Note shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. In any action brought by an assignee of this Note to enforce any rights hereunder, the Debtor shall not assert against the assignee any claims or defence which the Debtor now has or hereafter may have against Roynat.

The Debtor has executed this Note.

**DACO MANUFACTURING LIMITED**

Per:   
Name: Deepak Kashyap  
Title: Vice President Finance


(seal)

**THIS IS EXHIBIT "K" REFERRED TO IN THE**  
**AFFIDAVIT OF**  
**MATTHEW LUNETTA**  
**SWORN**  
**THE 3<sup>RD</sup> DAY OF JUNE, 2015**

A handwritten signature in black ink, appearing to read "Daniel Philip Cipollone", written over a horizontal line.

**A Commissioner for taking affidavits, etc.**

DANIEL PHILIP CIPOLLONE,  
a Commissioner, etc., **Province of Ontario,**  
while a Student-at-Law.  
Expires April 8, 2016.

A black rectangular stamp or seal, partially obscured by the text, located to the right of the signature and date information.

ROYNAT INC.SECURITY AGREEMENT

To: **ROYNAT INC. ("Roynat")**  
 Address: 5160 Yonge Street, Toronto, Ontario, M2N 6L9  
 Facsimile No. (416) 229-4760

**Debtor's Name:** DACO MANUFACTURING LTD. (the "Debtor")  
**Chief Executive Office Address:** 401 Vaughan Valley Blvd., Woodbridge, Ontario, L4H 3B5  
 Facsimile No. (905)

1. **General Security Interest.** As security for the payment and performance of all present and future indebtedness, liabilities and obligations of the Debtor to Roynat, whether direct or indirect, absolute or contingent, liquidated or unliquidated, as principal or as surety, alone or with others, of whatsoever nature or kind, in any currency or otherwise, under or in respect of agreements or dealings between the Debtor and Roynat or agreements or dealings between the Debtor and others by which Roynat may be or become in any manner whatsoever a creditor of the Debtor including, without limitation, obligations under (i) any and all letter agreements and offers to finance/or offers to lease (the "Offers of Finance") entered into by the Debtor and Roynat from time to time, (ii) any promissory notes, guarantees or indemnities executed by the Debtor in favour of Roynat, and (iii) this Security Agreement (all such indebtedness, liabilities, obligations, expenditures, costs and expenses are hereinafter collectively referred to as the "Obligations"), the Debtor hereby assigns, charges, pledges, mortgages and grants to Roynat a security interest in all of the undertaking, property and assets of the Debtor, both real and personal, immoveable and moveable, tangible and intangible, legal and equitable, of whatsoever nature and kind and wheresoever situate, now owned or hereafter acquired by or on behalf of the Debtor or in respect of which the Debtor now or hereafter has any right, title or interest (all of which is hereinafter called the "Collateral"), including without limitation:
  - (a) **Intangibles** - all intangible property including without limitation book debts and accounts, all contractual rights and insurance claims, licences, computer software, warranties, ownership certificates, patents, trademarks, trade names, goodwill, copyrights and other industrial property of the Debtor;
  - (b) **Books & Records** - all of the Debtor's, manuals, publications, letters, deeds, documents, writings, papers, invoices, books of account and other books relating to or being records of debts, chattel paper or documents of title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;
  - (c) **Equipment** - all of the Debtor's tools, machinery, equipment, apparatus, furniture, plants, fixtures, vehicles and other tangible personal property, other than Inventory (as defined below), (collectively, the "Equipment") including, without limitation, the Equipment described in Schedule "A" hereto;
  - (d) **Inventory** - all of the Debtor's tangible personal property held for sale or lease or that have been leased or that are to be furnished or have been furnished under a contract of service, or that are raw materials, work in process, or materials used or consumed in a business or profession (collectively, the "Inventory");
  - (e) **Real Property** - all of the Debtor's real and immovable property, both freehold and leasehold, now or hereafter owned, acquired or occupied by the Debtor, together with all buildings, erections, improvements and fixtures situate upon or used in connection therewith, including any lease, verbal or written or any agreement therefor, (collectively, the "Real Property") provided, however, the last day of any term of any such lease, verbal or written, or any agreement therefor now held or hereafter held by the Debtor, is excepted out of the Real Property charged by this Security Agreement, but should such charge become enforceable the Debtor shall thereafter stand possessed of the last day of such leasehold interest upon trust to assign and dispose thereof as Roynat may direct;
  - (f) **Other Property** - the Debtor's undertaking and all of the Debtor's other property and assets including, without limitation, uncalled capital, judgments, rights, franchises, chattel paper, documents of title, goods, instruments, money and securities (as those terms are defined in the Personal Property Security Act governing this Security Agreement); and

- (g) **Proceeds** - all of the Debtor's property in any form derived directly or indirectly from any use or dealing with the Collateral or that indemnifies or compensates for loss of or damage to the Collateral (collectively, the "Proceeds").
2. **Attachment.** The security interest given hereunder will attach immediately upon the execution of this Security Agreement. The security interest granted hereby has not been postponed and will attach to any particular Collateral as soon as the Debtor has rights in such Collateral.
3. **Representations and Warranties of the Debtor.** The Debtor represents and warrants to Roynat as follows:
- (a) The Debtor now owns or will own the Collateral, as the case may be, free and clear of any prior lien, security interest or encumbrance save and except for the security interest granted hereby and for those encumbrances as shown in Schedule "B" which have been validly perfected ("Permitted Encumbrances");
  - (b) This Security Agreement has been properly authorized and constitutes a legally valid and binding obligation of the Debtor;
  - (c) The authorization, creation, execution and delivery of this Security Agreement and compliance with its terms
    - (i) does not and shall not contravene any applicable law, regulation, rule, order, judgment or injunction or the charter documents, by-laws or any unanimous shareholders' agreement of the Debtor; and
    - (ii) does not and shall not result in a breach of or a default under any indenture, instrument, lease, agreement or undertaking to which the Debtor is a party or by which it or the Collateral is or may become bound.
4. **General Covenants.** The Debtor hereby declares, covenants and agrees that it:
- (a) **Pay Costs** - shall pay all costs and expenses (including complete reimbursement for 100% of all legal fees and disbursements) of Roynat incidental to or which in any way relates to this Security Agreement or its enforcement, including (i) the preparation, execution and filing of this Security Agreement and any instruments postponing, discharging, amending, extending or supplemental to this Security Agreement or any security required by any Offer of Finance ("Roynat's Security"); (ii) perfecting and keeping perfected Roynat's Security; (iii) maintaining the intended priority of Roynat's Security on all or any part of the Collateral; (iv) taking, recovering or possessing the Collateral; (v) taking any actions or other proceedings to enforce the remedies provided herein or otherwise in relation to this Security Agreement or the Collateral, or by reason of a default under Roynat's Security or the Offer of Finance or the non-payment of the moneys hereby secured; (vi) taking proceedings, giving notices and giving responses required under any applicable law concerning or relating to Roynat's Security, including compliance with the provisions of applicable bankruptcy, insolvency, personal property security and mortgage enforcement legislation; (vii) responding to or participating in proceedings in the nature of those described in Sections 14(d), (e) and (f) hereof; and (viii) obtaining the advice of counsel and other advisors in relation to the foregoing;
- all such costs and expenses and other monies payable hereunder, together with interest at the highest rate chargeable by Roynat from time to time on the Obligations, shall form part of the Obligations, shall be payable by the Debtor on demand and shall be secured hereby;
- (b) **To Pay Rents and Taxes** - shall pay all rents, taxes and assessments lawfully imposed upon the Real Property where the Collateral is located or any part thereof when the same become due and payable, and shall show to Roynat on request receipts for such payment;
  - (c) **To Maintain Corporate Existence and Security** - shall maintain its corporate existence, shall maintain the security hereby created as valid, effective and perfected security at all times, shall observe and perform all of its obligations under leases, licences and other agreements to which it is a party so as to preserve and protect the Collateral and its value;
  - (d) **Not to Sell** - shall not, except for Inventory sold in the ordinary course of business and except as otherwise permitted hereunder, remove, destroy, lease, sell or otherwise dispose or part with possession of any of the Collateral; provided that the Debtor may sell or otherwise dispose of furniture, machinery, equipment, vehicles and accessories in any consecutive twelve month period having a total value of less than \$100,000 which have become worn out or damaged or otherwise unsuitable for their purposes on condition that it shall substitute therefor, subject to the lien hereof and free from prior liens, security interests or encumbrances, property of equal value so that the security hereby constituted shall not thereby be in any way reduced or impaired. If any Offer of Finance provides

that the Debtor is permitted to sell or otherwise dispose of any Collateral, at Roynat's option the proceeds of such sold or disposed of Collateral shall be applied against those Obligations designated by Roynat at its discretion;

- (e) **No Other Liens** - shall not create, assume or suffer to exist any charge, lien, federal or provincial government priority claim arising pursuant to statute including any deemed trust, security interest or encumbrance upon any Collateral other than Permitted Encumbrances. No provision hereof shall be construed as a subordination or postponement of the security interest created hereunder to or in favour of any other charge, lien, security interest or encumbrance, whether or not it is a Permitted Encumbrance, except that the Debtor may give security to its banker (but not to more than one banker or banking syndicate) on its Inventory or under assignments of its trade receivables (by way of confirmation, trade receivables do not include the proceeds of the sale or disposition of Equipment or Real Property or the proceeds of life insurance policies assigned to Roynat) and such security, if validly perfected, shall rank prior to the interest granted hereby on such Inventory and accounts receivable without further action by Roynat;
- (f) **To Hold Proceeds of Unauthorized Sale in Trust** - in the event the Collateral or any part thereof is sold or disposed of prior to the full discharge of this Security Agreement by Roynat, in any manner not authorized by this Security Agreement, shall hold all proceeds of such sale or disposition received by the Debtor as trustee for Roynat until the Debtor has been fully released from this Security Agreement by Roynat;
- (g) **To Insure** - shall keep insured the Collateral to its full insurable value or in such amounts as Roynat may reasonably require against all risks, with insurers approved by Roynat and will pay all premiums necessary for such purposes as the same shall become due; the proceeds under all policies of insurance are hereby assigned to Roynat subject to Permitted Encumbrances as further security hereunder and shall be payable to Roynat as its interest may appear and contain such mortgage clauses as Roynat may require; such policies or contracts shall be in terms reasonably satisfactory to Roynat and at the request of Roynat shall be delivered to and held by Roynat subject to the rights of the holders of Permitted Encumbrances;
- (h) **To Furnish Proofs** - shall forthwith on the happening of any loss or damage furnish at its expense all necessary proofs and do all necessary acts to enable Roynat to obtain payment of the insurance moneys subject to the rights of the holders of Permitted Encumbrances;
- (i) **Inspection by Roynat** - shall allow any employees or third parties retained by Roynat at any reasonable time to enter the premises of the Debtor or others to inspect the Collateral and to inspect the books and records of the Debtor relating to the Collateral and make extracts therefrom, and shall permit Roynat prompt access to such other persons, as Roynat may deem necessary or desirable for the purposes of inspecting or verifying any matters relating to any part of the Collateral or the books and records of the Debtor relating to the Collateral, provided that any information so obtained shall be kept confidential, save as required by Roynat in exercising its rights hereunder or pursuant to any applicable law or court order. The Debtor shall pay all costs and expenses of third parties (including complete reimbursement for 100% of all legal fees and disbursements) retained by Roynat for purposes of inspection under this Section 4(i);
- (j) **Use and Maintenance** - shall cause the Equipment and Inventory to be operated in accordance with any applicable manufacturer's manuals or instructions, by competent and duly qualified personnel. Any and all additions and accessions to and parts and replacements for the Equipment or Inventory shall immediately become subject to the security interest created hereby. The Debtor shall not change the intended use of the Collateral without the prior written consent of Roynat which will not be unreasonably withheld or delayed;
- (k) **Location of Collateral** - shall keep the Collateral at the locations set forth in Schedule "B" hereto, except for goods in transit to such locations, or Inventory on lease or consignment, or with the prior written consent of Roynat;
- (l) **No Affixation** - shall not permit the Collateral to be attached to or affixed to real or other personal property without the prior written consent of Roynat which will not be unreasonably withheld or delayed. The Debtor shall obtain and deliver to Roynat such waivers as Roynat may reasonably request from any owner, landlord or mortgagee of premises on which the Collateral is located or to which the Collateral may become affixed or attached. The Debtor shall promptly do, execute and deliver all such further acts, documents, agreements or assurances as Roynat may reasonably require for giving effect to the intent of this Security Agreement and shall register such notice or documents against the title to such premises as Roynat may reasonably request to protect its interests hereunder and shall maintain plates or marks showing the name of Roynat upon the Collateral as requested;



- (m) **Not to Remove** - prior to moving any of the Collateral from any location indicated in Schedule "B" hereto, or to leasehold property, the Debtor shall effect such further registrations and obtain such other consents and give such other security, at the sole cost and expense of the Debtor, as may be required or desirable to protect or preserve the security hereby created and to maintain the priority intended to be granted to Roynat hereunder as against all others including landlords, and the Debtor shall forthwith notify Roynat of the intended removal and the action proposed to be taken;
- (n) **Compliance with Environmental Laws** -
- (i) shall conduct and maintain the Real Property, the Collateral and its business, operations, and shall cause any tenant of the Real Property to maintain the Real Property and its business operations, so as to comply in all respects with all applicable Environmental Laws, including obtaining all necessary licenses, permits, consents and approvals required to own or operate the Collateral and the business carried out on, at or from the Real Property;
  - (ii) except as specifically permitted by Roynat in writing, it shall not permit or suffer to exist, Contaminants or dangerous or potentially dangerous conditions in, on or below the Real Property including, without limitation, any polychlorinated biphenyls, radio-active substances, underground storage tanks, asbestos or urea formaldehyde foam insulation;
  - (iii) has no knowledge of the existence of Contaminants or dangerous or potentially dangerous conditions at, on or under the Real Property or any properties in the vicinity of the Real Property which could affect the Real Property or the market value thereof or in levels that exceed the standards in Environmental Laws;
  - (iv) has no knowledge of the Real Property, or any portion thereof, having been used for the disposal of waste;
  - (v) has not given or received, nor does it have an obligation to give, any notice, claim, communication or information regarding any past, present, planned or threatened treatment, storage, disposal, presence, release or spill of any Contaminant at, on, under or from the Real Property or any property in the vicinity of the Real Property, including any notice pursuant to any Environmental Laws or any environmental report or audit. The Debtor shall notify Roynat promptly and in reasonable detail upon receipt of any such claim, notice, communication or information or if the Debtor becomes aware of any violation or potential violation of the Debtor or any tenant of the Real Property of any Environmental Laws and shall describe therein the action which the Debtor intends to take with respect to such matter;
  - (vi) shall at the Debtor's expense establish and maintain a system to assure and monitor continued compliance with, and to prevent the contravention of, Environmental Laws, which system shall include periodic reviews of such compliance system;
  - (vii) shall provide annual confirmation to Roynat that the Debtor is in compliance with all applicable Environmental Laws and that there is no default under this Section 4(n). The Debtor shall provide Roynat with its annual environmental questionnaire duly completed;
  - (viii) shall promptly advise Roynat in writing of any material adverse change in the environmental or other legal requirements affecting the Debtor or the Collateral or the Real Property upon the Debtor becoming aware of any such change, and the Debtor shall provide Roynat with a copy of any of the orders, by-laws, agreements or other documents pursuant to which any such change is effected or documented;
  - (ix) shall at the Debtor's expense promptly take or cause to be taken any and all necessary remedial or clean-up action in response to the presence, storage, use, disposal, transportation, release or discharge of any Contaminant in, on, under or about any of the Real Property, or used by the Debtor or any tenant of the Real Property, in compliance with all material laws including, without limitation, Environmental Laws, and in accordance with the orders and directions of all applicable federal, state, provincial, municipal and local governmental authorities;
  - (x) shall deliver to Roynat a true and complete copy of all environmental audits, evaluations, assessments, studies or tests relating to the Real Property; the Collateral or the Debtor now in its possession or control or forthwith after the completion thereof, or upon such materials coming into the Debtor's possession or control;

- (xi) shall at the Debtor's expense, if reasonably requested by Roynat in writing, retain an environmental consultant acceptable to Roynat, acting reasonably, to undertake environmental tests and to prepare a report or audit with respect to the Real Property and deliver same to Roynat for its review; and
  - (xii) shall indemnify and save harmless Roynat, its officers, directors, employees, agents and shareholders from and against all losses, liabilities, damages or costs (including complete reimbursement for 100% of all legal fees and disbursements) suffered including, without limitation, the cost or expense of any environmental investigation, the preparation of any environmental or similar report, and the costs of any remediation arising from or relating to any breach of the foregoing covenants of this Section 4(n), any breach by the Debtor, any tenant or any other person now or hereafter having an interest in the Collateral or the Real Property which is asserted or claimed against Roynat; the presence, in any form, of any Contaminant on or under the Real Property, or the discharge, release, spill or disposal of any contaminant by the Debtor, which is asserted or claimed against any of these indemnified persons. This indemnity shall survive the payment in full of all amounts secured hereby and the discharge of this Security Agreement. Roynat shall hold the benefit of this indemnity in trust for those indemnified persons who are not parties to this Security Agreement.
  - (xiii) For the purposes hereof:
    - a. "Contaminant" means any solid, liquid, gas, odour, heat, sound, smoke, waste, vibration, radiation or combination of any of them resulting directly or indirectly from human activities that may cause: (i) impairment of the quality of the natural environment for any use that can be made of it, (ii) injury or damage to property or to plant or animal life, (iii) harm or material discomfort to any person, (iv) an adverse affect on the health of any person, (v) impairment of the safety of any person, (vi) rendering any property or plant or animal life unfit for use by man, (vii) loss of enjoyment of normal use of property, or (viii) interference with the normal conduct of business, and includes any pollutant or contaminant as defined in any applicable Environmental Laws and any biological, chemical or physical agent which is regulated, prohibited, restricted or controlled; and
    - b. "Environmental Laws" means the common law and all applicable federal, provincial, local, municipal, governmental or quasi-governmental laws, rules, regulations, policies, guidelines, licences, orders, permits, decisions or requirements concerning Contaminants, occupational or public health and safety or the environment and any other order, injunction, judgment, declaration, notice or demand issued thereunder.
  - (o) **Financial Statements** - shall deliver to Roynat, in accordance with the terms of any Offers of Finance, its interim and annual financial statements, all of which financial statements shall be signed by an authorized officer of the Debtor and prepared in accordance with generally accepted accounting principles. The Debtor shall at the same time deliver to Roynat copies of all management reports prepared by the accountants or auditors of the Debtor together with any other statements stipulated in any Offer of Finance;
  - (p) **Offers of Finance** - shall comply with all provisions of the Offers of Finance, including executing and delivering all such documents as may be necessary to maintain in force the pre-authorized payment system specified in any Offer of Finance.
5. **Collection of Debts.** Upon the occurrence of an event of default, hereunder, Roynat may, without exercising any of its other rights or remedies hereunder, give notice of the security interest in, and the assignment to, Roynat of any debt or liability forming part of the Collateral and may direct such person to make all payments on account of any such debt or liability to Roynat.
  6. **Waiver of Covenants.** Roynat may waive in writing any breach by the Debtor of any of the provisions contained in this Security Agreement or any default by the Debtor in the observance or performance of any covenant or condition required to be observed or performed by the Debtor hereunder, provided that no such waiver or any other act, failure to act or omission by Roynat shall extend to or be taken in any manner to affect any subsequent breach or default or the rights of Roynat resulting therefrom.
  7. **Performance of Covenants by Roynat.** If the Debtor shall fail to perform any covenant on its part herein contained, Roynat may in its absolute discretion perform any such covenant capable of being performed by it, but Roynat shall be under no obligation to do so. If any such covenant requires the payment of money or if the Collateral or any part thereof shall become

subject to any charge, lien, security interest or encumbrance ranking in priority to the security interest created hereby, Roynat may in its absolute discretion make such payment and/or pay or discharge such charge, lien, security interest or encumbrance, but Roynat shall be under no obligation to do so. All sums so paid by Roynat, together with interest at the highest rate chargeable by Roynat from time to time on the Obligations, shall be payable by the Debtor on demand and shall constitute a charge upon the Collateral. No such performance or payment shall relieve the Debtor from any default hereunder or any consequences of such default.

8. **Appointment of Monitor.** If in the opinion of Roynat, acting reasonably, a material adverse change has occurred in the financial condition of the Debtor, or if Roynat in good faith believes that the ability of the Debtor to pay any of its obligations to Roynat or to perform any other covenant contained herein has become impaired or if an event of default has occurred, Roynat may by written notice to the Debtor, appoint a monitor (the "Monitor") to investigate any or a particular aspect of the Collateral, the Debtor or its business and affairs for the purpose of reporting to Roynat. The Debtor shall give the Monitor its full co-operation, including full access to facilities, assets and records of the Debtor and to its creditors, customers, contractors, officers, directors, employees, auditors, legal counsel and agents. The Monitor shall have no responsibility for the affairs of the Debtor nor shall it participate in the management of the Debtor's affairs and shall incur no liability in respect thereof or otherwise in connection with the Debtor, its business and affairs or the Collateral. The Monitor shall act solely on behalf of Roynat and shall have no contractual relationship with the Debtor as a consultant or otherwise. The appointment of a Monitor shall not be regarded as an act of enforcement of this Security Agreement. All reasonable fees and expenses of the Monitor (including complete reimbursement for 100% of all legal fees and disbursements) shall be paid by the Debtor upon submission to it of a written invoice therefor. Roynat may at its option upon the occurrence of an event of default appoint or seek to have appointed the Monitor as receiver, receiver and manager, liquidator, or trustee in bankruptcy of the Debtor or the Collateral or any part thereof.
9. **Application of Insurance Proceeds.** Any insurance moneys received by Roynat may at the option of Roynat be applied to rebuilding or repairing the Collateral, or be paid to the Debtor, or any such moneys may be applied in the sole discretion of Roynat, in whole or in part, to the repayment of the Obligations or any part thereof whether then due or not, with any partial payments to be credited against principal instalments payable thereunder in inverse order of their maturity dates.
10. **No Merger or Novation.** The taking of any judgment or the exercise of any power of seizure or sale shall not operate to extinguish the liability of the Debtor to perform its obligations hereunder or to pay the Obligations hereby secured, shall not operate as a merger of any covenant herein contained or affect the right of Roynat to interest in effect from time to time hereunder and the acceptance of any payment or other security shall not constitute or create any novation. The execution and delivery of this Security Agreement or of any instruments or documents supplemental hereto shall not operate as a merger of any representation, warranty, term, condition or other provision contained in any other obligation or indebtedness of the Debtor to Roynat or under any Offer of Finance.
11. **Security in Addition.** The security hereby constituted is in addition to any other security now or hereafter held by Roynat. The taking of any action or proceedings or refraining from so doing, or any other dealings with any other security for the moneys secured hereby, shall not release or affect the security created hereby.
12. **Partial Discharges.** Roynat may in its sole discretion grant partial discharges or releases of security in respect of any of the Collateral on such terms and conditions as it shall deem fit and no such partial discharges or releases shall affect the remainder of the security created hereby nor shall it alter the obligations of the Debtor under the Obligations or hereunder.
13. **Notice of Change.** The Debtor shall immediately notify Roynat in writing of any proposed change and any actual change in the Debtor's name or address or the location of the Collateral. The Debtor agrees to execute at the Debtor's expense, any instruments, notices or other documents required to effect any registration which Roynat deems necessary to protect its interest in the Collateral in any jurisdiction.
14. **Events of Default.** Each of the following events shall constitute an "event of default":
  - (a) the Debtor does not pay any of the Obligations when due;
  - (b) the Debtor ceases or threatens to cease to carry on its business or defaults in the performance or observance of any of the covenants in Sections 4(d), (e), (i) or (m) or Section 8 hereof;
  - (c) if the Debtor defaults in the performance or observance of any condition or covenant contained in this Security Agreement, other than as referred to elsewhere in this Section 14, in any other security previously, now or hereafter granted to Roynat by the Debtor or in any other instrument or agreement (including any offer of finance) which the Debtor and Roynat are now or hereafter parties to (whether alone or with others) or issued by either the Debtor or

Roynat to the other, and such default continues for ten (10) days after written notice thereof to the Debtor by Roynat. For the purposes of this Section 14(c) and Section 14(j) hereof, "Roynat" shall include any affiliate which includes "Roynat" in its name including Roynat Capital Inc., Roynat Business Inc. and Roynat Business Capital Inc.;

- (d) the Debtor becomes bankrupt or insolvent or commits an act of bankruptcy, or any proceeding is commenced against, by or affecting the Debtor:
  - (i) seeking to adjudicate it a bankrupt or insolvent;
  - (ii) seeking liquidation, dissolution, winding up, restructuring, reorganization, arrangement, protection, relief or composition of it or any of its property or debt or making a proposal with respect to it under any law relating to bankruptcy, insolvency, reorganization or compromise of debts or other similar laws (including, without limitation, any reorganization, arrangement or compromise of debt under the laws of its jurisdiction of incorporation or organization); or
  - (iii) seeking appointment of a receiver, receiver and manager, liquidator, trustee, agent, custodian or other similar official for it or for any part of its properties and assets, including the Collateral or any part thereof;
- (e) any order or judgment is issued by a court granting any of the relief referred to in Section 14(d) hereof;
- (f) if an encumbrancer or secured creditor shall appoint a receiver or agent or other similar official, or commence power of sale proceedings, over any part of the Collateral, or take possession of any part of the Collateral or if any execution, distress or other process of any court becomes enforceable against any Collateral, or a distress or like process is levied upon any of such Collateral;
- (g) if the Debtor takes any proceedings for its dissolution, liquidation or amalgamation with another company or if the legal or corporate existence of the Debtor shall be terminated by expiration, forfeiture or otherwise;
- (h) if there is any material misrepresentation or misstatement contained in any certificate or document delivered by an officer or director of the Debtor in connection with any financing provided by Roynat;
- (i) if any representation, warranty or statement made on behalf of the Debtor in any Offer of Finance or any instrument made pursuant thereto is or becomes untrue in any material respect;
- (j) if any guarantor of the obligations of the Debtor to Roynat defaults in the performance of any condition or covenant in favour of Roynat or if any party to an instrument or agreement supplemental or collateral to this Security Agreement or the financing provided for herein defaults thereunder, and such default continues for ten (10) days after written notice thereof to the Debtor by Roynat;
- (k) if Roynat, in good faith and upon commercially reasonable grounds, believes that the prospect of payment or performance of any of the Obligations is or is about to be impaired or that the Collateral or any part thereof is or is about to be placed in jeopardy;
- (l) if voting control of the Debtor as provided for in any Offer of Finance or as subsequently effected with Roynat's prior written consent, shall change without the prior written consent of Roynat; or
- (m) if a default or acceleration occurs under any agreement, promissory note, debt obligation, guarantee or otherwise now or hereafter granted to any bank or other financial institution by the Debtor or to any other lender of funded indebtedness.

15. **Enforcement.** Upon the happening of any event of default, the security granted herein shall become immediately enforceable and Roynat may at its option declare this Security Agreement to be in default and may exercise any rights, powers or remedies available to Roynat at law or in equity or under the Personal Property Security Act or other applicable legislation and, in addition, may exercise one or more of the following rights, powers or remedies, which rights, powers and remedies are cumulative:

- (a) to declare the full amount of the Obligations to be immediately due and payable;

- (b) to terminate the Debtor's right to possession of the Collateral, cause the Debtor to immediately assemble and deliver the Collateral at such place or places as may be specified by Roynat, and enter upon the premises where the Collateral is located and take immediate possession thereof, whether it is affixed to the realty or not, and remove the Collateral without liability to Roynat for or by reason of such entry or taking of possession, whether for damage to property caused by taking such or otherwise;
- (c) to enter upon and hold, possess, use, repair, preserve and maintain all or any part of the Collateral and make such replacements thereof and additions thereto as Roynat shall deem advisable;
- (d) to sell, for cash or credit or part cash and part credit, lease or dispose of or otherwise realize upon the whole or any part of the Collateral whether by public or private sale as Roynat in its absolute discretion may determine without notice to the Debtor or advertisement and after deducting from the proceeds of sale (including complete reimbursement for 100% of all legal fees and disbursements) incurred in the repossession, sale, lease or other disposition of the Collateral apply the proceeds thereof to the Obligations in the manner and order to be determined by Roynat, provided however that Roynat shall only be liable to account to the Debtor, any subsequent encumbrancers and others for money actually received by Roynat and provided that the Debtor shall pay any deficiency forthwith;
- (e) to appoint by instrument in writing any person or persons to be a receiver or receiver and manager of all or any portion of the Collateral, to fix the receiver's remuneration and to remove any receiver so appointed and appoint another or others in its stead;
- (f) to apply to any court of competent jurisdiction for the appointment of a receiver or receiver and manager for all or any portion of the Collateral;
- (g) to retain the Collateral in satisfaction of the Obligations.

**16. Powers of Receiver.**

- (a) Any receiver (which term includes a receiver and manager) shall have all of the powers of Roynat set forth in this Security Agreement and, in addition, shall have the following powers:
  - (i) to lease all or any portion of the Collateral and for this purpose execute contracts in the name of the Debtor, which contracts shall be binding upon the Debtor and the Debtor hereby irrevocably constitutes such receiver as its attorney for such purposes;
  - (ii) to take possession of the Collateral, collect all rents, issues, incomes and profits derived therefrom and realize upon any additional or collateral security granted by the Debtor to Roynat and for that purpose may take any proceedings in the name of the Debtor or otherwise; and

to carry on or concur in carrying on the business which the Debtor is conducting and for that purpose the receiver may borrow money on the security of the Collateral in priority to this Security Agreement;
- (b) Any receiver appointed pursuant to the provisions hereof shall be deemed to be the agent of the Debtor for the purposes of:
  - (i) carrying on and managing the business and affairs of the Debtor, and
  - (ii) establishing liability for all of the acts or omissions of the receiver while acting in any capacity hereunder and Roynat shall not be liable for such acts or omissions,

provided that, without restricting the generality of the foregoing, the Debtor irrevocably authorizes Roynat to give instructions to the receiver relating to the performance of its duties as set out herein.

**17. Application of Moneys.** All moneys actually received by Roynat or by the receiver pursuant to Sections 15 and 16 of this Security Agreement shall be applied:

- (a) first; in payment of those claims, if any, of secured creditors of the Debtor (including any claims of the receiver pursuant to Section 16(a)), ranking in priority to the charges created by this Security Agreement as directed by Roynat or the receiver;

- (b) second, in payment of all costs, charges and expenses of and incidental to the appointment of the receiver (including complete reimbursement for 100% of all legal fees and disbursements) and the exercise by the receiver or Roynat of all or any of the powers granted to them under this Security Agreement, including the reasonable remuneration of the Receiver or any agent or employee of the receiver or any agent of Roynat and all outgoings properly paid by the receiver or Roynat in exercising their powers as aforesaid;
  - (c) third, in or towards the payment to Roynat of all other obligations due to it by the Debtor in such order as Roynat in its sole discretion may determine;
  - (d) fourth, in or towards the payment of the obligation of the Debtor to persons if any, with security interests against Collateral ranking subsequent to those in favour of Roynat; and
  - (e) (e) fifth, subject to applicable law any surplus shall be paid to the Debtor.
18. **Possession of Collateral.** The Debtor acknowledges that Roynat or any receiver appointed by it may take possession of Collateral wherever it may be located and by any method permitted by law and the Debtor agrees upon request from Roynat or any such Receiver to assemble and deliver possession of the Collateral at such place or places as directed.
19. **Deficiency.** The Debtor shall remain liable to Roynat for any deficiency after the proceeds of any sale, lease or disposition of Collateral are received by Roynat and applied in accordance with the provisions of Section 17(c) hereof.
20. **Assignment.** This Security Agreement may be assigned by Roynat to any other person and, if so assigned, the assignee shall have and be entitled to exercise any and all discretions, rights and powers of Roynat hereunder, and all references herein to Roynat shall include such assignee. The Debtor may not assign this Security Agreement or any of its rights or obligations hereunder. This Security Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. In any action brought by an assignee of this Security Agreement and the security interest or any part thereof to enforce any rights hereunder, the Debtor shall not assert against the assignee any claim or defence which the Debtor now has or hereafter may have against Roynat.
21. **Limited Power of Attorney.** The Debtor hereby appoints Roynat as the Debtor's attorney, with full power of substitution, in the name and on behalf of the Debtor, to execute, deliver and do all such acts, deeds, leases, documents, transfers, demands, conveyances, assignments, contracts, assurances, consents, financing statements and things as the Debtor has agreed to execute, deliver and do hereunder, under any Offer of Finance or otherwise, or as may be required by Roynat or any receiver to give effect to this Security Agreement or in the exercise of any rights, powers or remedies hereby conferred on Roynat or any receiver, and generally to use the name of the Debtor in the exercise of all or any of the rights, powers or remedies hereby conferred on Roynat or any receiver. This appointment, being coupled with an interest, shall not be revoked by the insolvency, bankruptcy, dissolution, liquidation or other termination of the existence of the Debtor or for any other reason.
22. **Amalgamation.** The Debtor acknowledges that if it amalgamates with any other corporation or corporations (a) the Collateral and the lien created hereby shall extend to and include all the property and assets of each of the amalgamating corporations and the amalgamated corporation and to any property or assets of the amalgamated corporation thereafter owned or acquired, (b) the term "Debtor", where used herein shall extend to and include each of the amalgamating corporations and the amalgamated corporation, and (c) the term, "Obligations", where used herein shall extend to and include the Obligations of each of the amalgamating corporations and the amalgamated corporation. Nothing in this Section 23 shall be interpreted as permitting the Debtor to amalgamate in violation of any covenant of the Debtor contained herein or in any other agreement binding the Debtor.
23. **Severability.** Each of the provisions contained in this Security Agreement is distinct and severable and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision of this Security Agreement.
24. **Notices.** Any notice required or desired to be given hereunder or under any Offer of Finance or under any instrument supplemental hereto shall be in writing and may be given by personal delivery, by facsimile or other means of electronic communication or by sending the same by registered mail, postage prepaid, to Roynat or to the Debtor at their respective addresses set out above and, in the case of electronic communication, to the facsimile numbers set out above. Any notice so delivered shall be conclusively deemed given when personally delivered and any notice sent by facsimile or other means of electronic transmission shall be deemed to have been delivered on the Business Day following the sending of the notice, and any notice so mailed shall be conclusively deemed given on the third Business Day following the day of mailing, provided that in the event of a known disruption of postal service, notice shall not be given by mail. Any address for notice or payments herein referred to may be changed by notice in writing given pursuant hereto.

Notwithstanding the foregoing, if the Personal Property Security Act requires that notice be given in a special manner, then such notice or communication shall be given in such manner.

25. **General.**

- (i) The Debtor authorizes Roynat to file such financing statements, notices of security interest, caveats and other documents and do such acts and things as Roynat may consider appropriate to perfect its security in the Collateral, to protect and preserve its interest in the Collateral and to realize upon the Collateral.
- (ii) Nothing in this Security Agreement will in any way obligate Roynat to advance any funds, or otherwise make or cause to make credit available to the Debtor, nor will Roynat have any liability for any failure or delay in its part to exercise any rights hereunder.
- (iii) If more than one Debtor executes this Security Agreement, the obligations of such Debtors hereunder shall be joint and several.
- (iv) The division of this Security Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Security Agreement.
- (v) When the context so requires, the singular shall include the plural and vice versa and words importing gender include all genders; all rights, advantages, privileges, immunities, powers and things hereby secured to the Debtor shall be equally secured to and exercised by its successors and assigns.
- (vi) Time is of the essence in this Security Agreement.

26. **Receipt.** The Debtor acknowledges that it has received an executed copy of this Security Agreement and, to the extent permitted by law, waives all rights to receive from Roynat a copy of any financing statement or financing change statement filed, or any verification statement received, at any time in respect of this Security Agreement or any supplemental or collateral security granted to Roynat.

27. **Governing Law.** This Security Agreement or any amendment or renewal thereof will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the Debtor hereby irrevocably attorns to the jurisdiction of the courts of such province.

The Debtor has duly executed this Security Agreement on December 28, 2006.

**DACO MANUFACTURING LTD.**

Per: \_\_\_\_\_

Name: Deepak Kashyap

Title: Vice President Finance

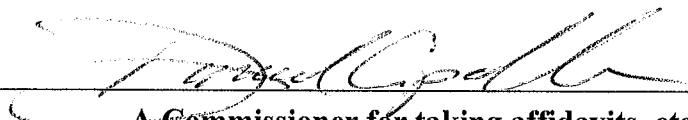
c/s

SCHEDULE "B"PERMITTED ENCUMBRANCES

- (i) liens for taxes, assessments, governmental charges or levies not at the time due;
- (ii) easements, rights of way or other similar rights in land which in the aggregate do not materially impair the usefulness in the business of the Debtor of the property subject thereto;
- (iii) rights reserved to or vested in any municipal, governmental or other public authority by the terms of any lease, licence, franchise, grant or permit, or by any statutory provision, to terminate the same or to require annual or other periodic payments as a condition to the continuance thereof;
- (iv) any charge, lien, security interest or encumbrance the validity of which is being contested by the Debtor in good faith and in respect of which either there shall have been deposited with Roynat cash in an amount sufficient to satisfy the same or Roynat shall be otherwise satisfied that its interests are not prejudiced thereby;
- (v) validly perfected security given by the Debtor to its banker (but not to more than one banker or banking syndicate) on its Inventory or under assignments of its trade receivables; and
- (vi) purchase money security interests consisting of any validly perfected charge, lien, security interest or other encumbrance, created, assumed or arising by operation of law after the date hereof, to provide or secure the whole or any part of the consideration for the acquisition of tangible personal property other than Inventory, where
  - (A) the principal amount secured thereby does not exceed the cost to the Debtor of such property,
  - (B) the Debtor's obligation to repay is secured only by the property so acquired by the Debtor,
  - (C) the property is not being acquired as a replacement or substitution for property and assets which are specifically charged hereby, and
  - (D) such security includes the renewal or refinancing of any such purchase money security interest on the same property provided that the indebtedness secured and the security therefor is not increased and remains validly perfected.



**THIS IS EXHIBIT "L" REFERRED TO IN THE**  
**AFFIDAVIT OF**  
**MATTHEW LUNETTA**  
**SWORN**  
**THE 3<sup>RD</sup> DAY OF JUNE, 2015**

  
A Commissioner for taking affidavits, etc.

**DANIEL PHILIP CIPOLLONE,**  
a Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 8, 2016.

LRO # 65 Charge/Mortgage

Received as YR931037 on 2006 12 29 at 09:13

The applicant(s) hereby applies to the Land Registrar.

yyyy mm dd Page 1 of 12

**Properties**

PIN 03317 - 0239 LT Interest/Estate Fee Simple

Description PT BLK 24, PL 65M3627, PTS 4 & 5, PL 65R26964; VAUGHAN, S/T EASE OVER PT 4, PL 65R26964, AS IN YR236746. S/T RT FOR 10 YRS FROM 2005/02/17 AS IN YR601598.

Address VAUGHAN

**Chargor(s)**

The chargor(s) hereby charges the land to the chargee(s). The chargor(s) acknowledges the receipt of the charge and the standard charge terms, if any.

Name DACO MANUFACTURING LTD.

Address for Service 401 Vaughan Valley Road  
Woodbridge, Ontario, L4H 3B5

I, Deepak Kashyap, Vice-President Finance, have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

**Chargee(s)**

Capacity

Share

Name ROYNAT INC.

Address for Service 5160 Yonge Street  
Toronto, Ontario, M2N 6L9

**Statements**

Schedule: See Schedules

**Provisions**

Principal \$ 2,400,000.00 Currency CDN

Calculation Period MONTHLY NOT IN ADVANCE

Balance Due Date ON DEMAND

Interest Rate SEE SCHEDULE

Payments

Interest Adjustment Date

Payment Date

First Payment Date

Last Payment Date

Standard Charge Terms

Insurance Amount full insurable value

Guarantor

**Signed By**

Elaine Levy 185 Sheppard Avenue West acting for Chargor(s) Signed 2006 12 28  
Toronto M2N 1M9

Tel 4162228888

Fax 4162228402

LRO # 65 Charge/Mortgage

Receipted as YR931037 on 2006 12 29 at 09:13

The applicant(s) hereby applies to the Land Registrar.

yyyy mm dd Page 2 of 12

**Submitted By**

CHAITONS LLP

185 Sheppard Avenue West  
Toronto M2N 1M9

2006 12 29

Tel 4162228888

Fax 4162228402

**Fees/Taxes/Payment**

Statutory Registration Fee \$60.00

Total Paid \$60.00

**File Number**

Chargee Client File Number : 25672

SCHEDULECHARGE TERMS

The following schedule of Charge Terms shall be deemed to be included in the attached charge pursuant to Section 4(1) of the Land Registration Reform Act.

1. **Definitions.** In this Schedule, the following terms shall have the following meanings:

- (a) "Bankruptcy Legislation" means any present or future laws relating to bankruptcy or insolvency reorganization, or compromise of debts or other similar laws, including without limitation the Companies' Creditors Arrangement Act.
- (b) "Business Day" means any day except Saturday, Sunday or a statutory holiday.
- (c) "Charge" means this Charge/Mortgage of the Lands made pursuant to the Land Registration Reform Act to which the Chargor and the Chargee are parties, which Charge consists of the Form B for paper registration, and the electronic Charge/Mortgage form for electronic registration, and any amendments contained therein and this Schedule of Charge Terms and any amendments from time to time made hereafter by the Chargor and Chargee in writing in accordance with the provisions hereof.
- (d) "Chattels" has the meaning ascribed to it in clause (z) of Section 7 of this Charge.
- (e) "Chargee" means Roynat Inc., its successors and assigns and, where applicable, includes those for whom it acts as nominee or agent.
- (f) "Chargor" means the Chargor executing the Charge in Box 11 of Form B for paper registration or the electronic Charge/Mortgage form for electronic registration and each person for whom it executes as agent or attorney.
- (g) "Contaminant" means any solid, liquid, gas, odour, heat, sound, smoke, waste, vibration, radiation or combination of any of them resulting directly or indirectly from human activities that may cause:
  - (i) impairment of the quality of the natural environment for any use that can be made of it;
  - (ii) injury or damage to property or to plant or animal life;
  - (iii) harm or material discomfort to any person
  - (iv) an adverse affect on the health of any person;
  - (v) impairment of the safety of any person;
  - (vi) rendering any property or plant or animal life unfit for use by man;
  - (vii) loss of enjoyment of normal use of property; or
  - (viii) interference with the normal conduct of business, and includes any pollutant or contaminant as defined in any Environmental Laws and any biological, chemical or physical agent which is regulated, prohibited, restricted or controlled;
- (h) "Costs" means all reasonable fees, costs, charges and expenses of the Chargee of and incidental to:
  - (i) the negotiation, preparation, execution, subordination, postponement and registration of the Charge and any other instruments connected herewith and every renewal or discharge thereof;
  - (ii) the collection of any amounts payable hereunder, enforcement of any covenants contained herein and the realization of the security herein contained;
  - (iii) procuring or attempting to procure payment of any Indebtedness or any other amounts due and payable hereunder, including foreclosure, power of sale or execution proceedings commenced by the Chargee or any other party;
  - (iv) any inspection required to be made of the Mortgaged Premises, or review of plans, specifications and other documentation which may require the approval or consent of the Chargee;
  - (v) all repairs and replacements required to be made to the Mortgaged Premises;
  - (vi) the Chargee having to go into possession of the Mortgaged Premises and secure, complete and equip the building or Improvements in any way in connection herewith;
  - (vii) the Chargee's renewal of any leasehold interest;
  - (viii) the exercise of any of the powers of a Receiver contained herein; and
  - (ix) all solicitor's costs, charges and expenses relating to any of the foregoing and any necessary examination of title to the Mortgaged Premises.

For greater certainty, Costs shall:

- (i) extend to and include reasonable legal costs incurred by the Chargee as between solicitor and his own client;
  - (ii) be payable forthwith by the Chargor;
  - (iii) bear interest at the Interest Rate; and
  - (iv) be a charge on the Mortgaged Premises.
- (i) "Environmental Laws" means the common law and all applicable federal, provincial, local, municipal, governmental or quasi-governmental laws, rules, regulations, licences, orders, permits, decisions or requirements concerning Contaminants, occupational or public health and safety or the environment and any other order, injunction, judgment, declaration, notice or demand issued thereunder.
  - (j) "Event of Default" has the meaning ascribed to it in Section 15 of this Charge.
  - (k) "Fixtures" includes all fixtures, buildings, erections, appurtenances, plants and Improvements, fixed or otherwise, now or hereafter put on the Lands, including without limitation all fences, elevators, furnaces, boilers, oil burners, water heaters, electric light fixtures, window blinds, screen and storm doors and windows, and all air-conditioning, plumbing, cooling, ventilating, cooking, refrigeration and heating equipment and all other apparatus and equipment appurtenant to the Mortgaged Premises.
  - (l) "Form B" refers to the Charge/Mortgage of Land form made between the Chargor and the Chargee being Form 2 under the Land Registration Reform Act and all schedules annexed thereto.
  - (m) "Improvement" includes any construction, installation, alteration, addition, repair or demolition to any part of the Mortgaged Premises now existing or hereafter constructed or to be constructed on the Lands.
  - (n) "Indebtedness" means all moneys and liabilities matured or not, whether present or future, direct or indirect, absolute or contingent, now or at any time hereafter owing or incurred, by the Chargor to the Chargee, including pursuant to the Offer of Finance, the Note, this Charge, or any other instrument given, issued or executed pursuant to any of them, and all interest, damages and Costs, and all premiums of insurance upon any Fixtures, Taxes or other amounts paid by the Chargee in accordance with the provisions of this Charge.
  - (o) "Interest Rate" means the Loan Rate charged from time to time under the terms of the Note.
  - (p) "Lands" means the lands and premises described Box 3 and/or Box 5 of Form B for paper registration or in the provisions section of the electronic registration form.
  - (q) "Mortgaged Premises" means the Lands and all Fixtures.
  - (r) "Note" means a promissory note of even date herewith issued by the Chargor to the Chargee in the principal amount of \$2,400,000 and any amendments thereto and any replacements or substitutions therefor.
  - (s) "Offer of Finance" means a letter agreement dated December 6, 2006 between the Chargee and the Chargor, as amended, restated or substituted for from time to time.
  - (t) "Permitted Encumbrances" means:
    - (i) liens for Taxes not at the time due;
    - (ii) any other liens or encumbrances specifically consented to by the Chargee in writing, providing the same are maintained in good standing.
  - (u) "Principal Amount" means the principal amount in lawful money of Canada set out in Box 9(a) of Form B for paper registration or in the provisions section of the electronic registration form.
  - (v) "Receiver" shall include one or more of a receiver and a receiver and manager of all or any portion of the Mortgaged Premises appointed by the Chargee pursuant to this Charge.
  - (w) "Taxes" means all taxes, rates and other impositions whatsoever which are now or may hereafter be imposed, charged or levied by any authority creating a lien or charge on the Mortgaged Premises or any part thereof.

2. **Implied Covenants.** The implied covenants deemed to be included in the Charge by clauses 7(1) 1. iii., and 7(1) 2. of the Land Registration Reform Act are hereby varied by deleting therefrom the words "except as the records of the land registry office disclose" and substituting therefor "except Permitted Encumbrances". The implied covenant deemed to be included in the Charge by clause 7(1) 1.vii. of the Land Registration Reform Act, R.S.O. 1990, c.L4 is hereby varied to provide that "the Chargor or the Chargor's successors will, before and after default, execute and deliver such further assurances of the Mortgaged Premises and do such other acts, at the Chargor's expense, as may be required by the Chargee". The implied covenants deemed to be included in a charge under subsection 7(1) of the Land Registration Reform Act, as amended hereby, are in addition to and shall not be interpreted to supersede or replace any of the covenants contained in this Charge which are covenants by the Chargor, for the Chargor and the Chargor's successors and assigns with the Chargee and the Chargee's successors and assigns. If any of the forms of words contained herein or any variation thereof are also contained in column One of Schedule B of the Short Forms of Mortgages Act, R.S.O. 1980, c. 474, and distinguished by a number therein, this Charge shall be deemed to include and shall have the same effect as if it contained the form of words in Column Two of Schedule B of the said Act distinguished by the same number together with such variation if any, and this Charge shall be interpreted in the same manner and to the same effect as if the said Act were applicable to this Charge. In the event of any

conflict between any of the covenants implied by the Land Registration Reform Act and any other covenant or provision contained herein, such covenant or provision contained herein shall prevail.

3. **Successors.** Notwithstanding the definition of the word "successor" in the Land Registration Reform Act, the word "successor" as used in this Charge shall include an heir, executor, administrator, personal representative or successor.
4. **Charge.** In consideration of the Principal Amount and other good and valuable consideration (the receipt and sufficiency whereof are hereby acknowledged by the Chargor) and as continuing security for the payment to the Chargee of the Indebtedness and to secure the performance of all of the obligations of the Chargor under the Offer of Finance, the Note and this Charge or any other instrument given, issued or executed pursuant to any of them, the Chargor hereby charges the Mortgaged Premises with payment to the Chargee of any ultimate outstanding balance of the Indebtedness due and remaining unpaid and the performance of the Chargor's obligations under the Offer of Finance, the Note and hereunder, provided that such security shall be limited to the aggregate of the Principal Amount, Costs and any other amounts payable hereunder, together with interest thereon at the Interest Rate payable upon demand as herein provided, and with the powers of sale hereinafter expressed.
5. **Defeasance.** Provided this Charge to be void upon payment in full on demand of all Indebtedness and the performance in full of all obligations of the Chargor under the Offer of Finance and hereunder up to a maximum amount of the aggregate of the Principal Amount, Costs and any other amounts payable hereunder, together with interest at the Interest Rate, which interest shall be payable, not in advance, both before and after maturity, default and judgment, from the date of demand by the Chargee for payment, and Taxes and performance of statute labour, and observance and performance of all covenants, provisos and conditions herein contained.
6. **Demand.** In the event that the Chargor is called upon to pay any Indebtedness in accordance with the terms under which the same is or becomes payable or in the event of the default which is continuing by the Chargor in the performance of any of the covenants of the Chargor under the Offer of Finance, the Note, this Charge or any other instrument given, issued or executed pursuant to any of them the Chargor shall be obligated to pay and the Chargee shall be entitled to forthwith make demand for payment of all such Indebtedness and any other monies secured hereby. Any demand made by the Chargee pursuant to the Note shall be deemed to be a demand made hereunder.
7. **Covenants of Chargor.** The Chargor hereby covenants, agrees and declares as follows:
  - (a) The Chargor shall pay to the Chargee the Indebtedness at the time or times and in the manner applicable thereto including as provided in the Note, this Charge, or any other instrument given, issued or executed pursuant thereto.
  - (b) The Chargor is the sole legal and beneficial owner of, and has good title in fee simple to the Mortgaged Premises free of all encumbrances other than the Permitted Encumbrances.
  - (c) The Chargor has the right to charge the Mortgaged Premises to the Chargee and to give this Charge to the Chargee upon the covenants contained herein.
  - (d) On default, the Chargee shall have quiet possession of the Mortgaged Premises, free from all encumbrances other than the Permitted Encumbrances.
  - (e) The Chargor will execute at the Chargor's expense such further assurances of the Mortgaged Premises as may be requisite.
  - (f) The Chargor has done no act to encumber the Mortgaged Premises, except the Permitted Encumbrances.
  - (g) The Chargor shall pay as they fall due all Permitted Encumbrances and Taxes and shall not suffer any construction, statutory or other liens or rights of retention, other than Permitted Encumbrances, to remain outstanding upon any of the Mortgaged Premises. The Chargor shall, within one (1) month from the date fixed for payment of the last instalment of Taxes in each year, furnish the Chargee, if requested by it, with receipted tax bills showing all such Taxes for the year have been paid in full.
  - (h) The Chargor shall not remove, destroy, lease, sell or otherwise dispose of any of the Mortgaged Premises or portion thereof or any interest therein. In the event the Mortgaged Premises or any part thereof are sold or disposed of prior to the full discharge of this Charge in any manner not authorized by this Charge, then all proceeds of such sale or disposition received by the Chargor shall be held by the Chargor as trustee for the Chargee until the Chargor has been fully released from this Charge by the Chargee.
  - (i) The Chargor shall place or cause to be placed and keep in force the following insurance in respect of the said Lands, Improvements and Fixtures with a company or companies satisfactory to the Chargee and the Chargee shall receive the original policies signed by the insurer or insurers and such policies are to be in form and content satisfactory to the Chargee:
    - (i) All risk insurance policy covering the property for its full insurable value including replacement cost, stated amount, earthquakes and flood coverages. The loss payable clause must be in favour of the Chargee subject to I.B.C. standard mortgage clause;
    - (ii) Boiler insurance coverage for an amount satisfactory to the Chargee with a loss payable clause in favour of the Chargee;
    - (iii) Comprehensive general liability insurance in an amount satisfactory to the Chargee. The named insured must include the Chargee;
    - (iv) Business interruption and/or rental insurance coverage sufficient to cover all principal and interest payments hereunder and real estate taxes and, to the extent same may remain an expense, business taxes for the property and the business carried on therein, for a period of twelve (12) months.

All cancellation clauses in the above-mentioned policies, including those contained in the mortgage clause insurance endorsements, are to provide for not less than thirty (30) days notice to the Chargee of cancellation and/or material alteration of the policies.

The Chargee shall be entitled to require coverage of such other risks and perils as the Chargee may from time to time consider advisable or desirable and in respect of which insurance coverage may be available.

- (j) The Chargor shall forthwith on the happening of any loss or damage furnish at its expense all necessary proofs and do all necessary acts to enable the Chargee to obtain payment of the insurance moneys.
- (k) The Chargor shall allow any employees or authorized agents of the Chargee at any reasonable time to enter the premises of the Chargor to inspect the Mortgaged Premises, including without limitation the right to undertake soil, ground water, environmental or other tests, measurements or surveys in, on or below the Mortgaged Premises, and to inspect the books and records of the Chargor and make extracts therefrom, and shall permit the Chargee prompt access to such other persons as the Chargee may deem necessary or desirable for the purposes of inspecting or verifying any matters relating to any part of the Mortgaged Premises or the books and records of the Chargor, provided that any information so obtained shall be kept confidential, save as required by the Chargee in exercising its rights hereunder. If an event of default shall have occurred and be continuing under this clause, the Chargor shall pay all costs and expenses of agents retained by the Chargee for purposes of inspection under this clause (k).
- (l) The Chargor shall deliver to the Chargee within 90 days of the close of each financial year of the Chargor one copy of the audited annual financial statements for that year, including the balance sheet and statements of income, retained earnings and changes in financial position accompanied by the report of the Chargor's auditors, or such other statements or reports as may be required by Roynat in the Offer of Finance, and within 45 days after the first half of each of the Chargor's financial years, one copy of the interim financial statements signed by an authorized officer of the Chargor, all of which financial statements shall be prepared in accordance with generally accepted accounting principles; and shall at the same time deliver to Roynat copies of all management reports prepared by or on behalf of the Chargor together with any other statements stipulated in the Offer of Finance.
- (m) Without the prior written consent of the Chargee, the Chargor shall not create or suffer to exist any charge or encumbrance over all or any portion of the Mortgaged Premises ranking or purporting to rank prior to, pari passu with or subordinate to the charges hereof, other than Permitted Encumbrances.
- (n) The Chargor shall not grant, create, assume or permit to exist any conditional sale agreement, mortgage, pledge, charge, assignment, lease or other security, except Permitted Encumbrances, whether fixed or floating upon the whole or any part of the Mortgaged Premises. This covenant shall be a restrictive covenant for the benefit of the Chargee's interest as chargee of the Mortgaged Premises and the burden shall run with the interest of the Chargor as owner of the Mortgaged Premises.
- (o) All Fixtures are and shall, immediately on being placed upon the Mortgaged Premises, become fixtures and a part of the Mortgaged Premises and form a part of this security; and the Chargor hereby grants and releases to the Chargee all its claims upon the Mortgaged Premises subject to the proviso for defeasance in Section 5 above.
- (p) The Chargee may distrain for arrears of interest and for overdue principal and any other sum payable hereunder. The Chargor waives the right to claim exceptions and agrees that the Chargee shall not be limited in the amount for which it may distrain.
- (q) The Chargee may make any payment or cure any default under any Permitted Encumbrance and may pay and satisfy the whole or any part of any liens, Taxes, charges or encumbrances now or hereafter existing in respect of the Mortgaged Premises. In the event of the Chargee making any such payment or curing a default or satisfying any such liens, Taxes, charges or encumbrances it shall be entitled to all the equities and securities of the person or persons so paid and is hereby authorized to retain any discharge thereof without registration for so long as it may think fit so to do.
- (r) The Chargor will keep the Mortgaged Premises in good condition and repair and shall not permit any act of waste to be committed upon the Mortgaged Premises. If the Chargor neglects to keep the Mortgaged Premises in good condition and repair or commits or permits any act of waste on the Mortgaged Premises (as to which the Chargee shall be sole judge), the Chargee may make such repairs and replacements as it deems necessary.
- (s) The Chargor shall diligently and continuously maintain, develop and construct the Improvements or cause the Improvements to be maintained, developed and constructed in accordance with plans and specifications previously approved by the Chargee, all in a good and workmanlike manner as first class buildings or Improvements and in the event that the Chargor shall fail to proceed diligently with any required work for a period of ten (10) consecutive days, the Chargee or its representatives may enter into the Mortgaged Premises and do any or all work which they may consider necessary or desirable to complete such Improvements or to protect the same from deterioration.
- (t) The Chargor shall not make any material improvement, whether financed by the Chargee or otherwise, without the prior written consent of the Chargee which consent will not be unreasonably withheld or delayed and except in accordance with contracts, plans and specifications approved by the Chargee in writing prior to the commencement of work on the improvement.
- (u) The Chargor shall at all times comply with all of its obligations under the Offer of Finance and the Note and with all applicable laws relating to the Mortgaged Premises, including all applicable zoning by-laws, rent control legislation and construction lien legislation.
- (v) Where any portion of the Improvements are to be constructed, they shall be constructed in a good and workmanlike manner using first class quality materials in accordance with the plans and specifications approved by the Chargee and shall comply with all restrictions, conditions, ordinances, codes, regulations and laws, regulations and the

requirements of governmental departments and agencies having direction over, or an interest in the Lands or the Improvements.

- (w) All utility services necessary for the operation and use of the Mortgaged Premises for their intended purpose, including, but not limited to, water supply, storm and sanitary sewer facilities, gas, electric and telephone facilities, are available to the boundaries of the Lands.
  - (x) The Lands are contiguous to publicly dedicated streets or roads or highways and vehicular and pedestrian access thereto is permitted or, if not, are the dominant tenement of an easement or easements creating the perpetual right of such access to any such publicly dedicated streets or roads or highways.
  - (y) Any defects in the construction or variation in the construction of any of the Improvements shall be promptly corrected by the Chargor to the satisfaction of the Chargee.
  - (z) Any and all of the personal property, elevators, furnaces, refrigerators, ranges, hot water tanks, dishwashers, carpeting, furniture, furnishings, fixtures, attachments and equipment (collectively the "Chattels") delivered upon, or attached to the Mortgaged Premises or intended to become a part thereof, will be kept free and clear of all chattel mortgages, conditional vendors' liens and all liens, encumbrances and security interests other than as may be granted to the Chargee and the Chargor will be the absolute owner of the Chattels and will, from time to time, furnish the Chargee with satisfactory evidence of such ownership, including searches of applicable public records. Upon the Chargee's request, the Chargor will forthwith execute and deliver a supplemental debenture or other security instrument upon the Chattels and such other supporting documents as the Chargee may require in connection therewith, including financing statements and searches of records under any applicable legislation.
  - (aa) The Chargor will pay or cause to be paid as soon as the same are due all claims and demands of contractors and materialmen and all wages, salaries, holiday pay, workers compensation assessments or other charges or any nature or kind (the "Claims"), which could in any circumstances constitute a lien or charge on the Mortgaged Premises and the Chargor will from time to time on demand provide the Chargee with such books, payrolls, or other records, receipts, certificates and declarations as the Chargee may deem necessary to satisfy itself that such Claims have been paid as soon as the same are due.
8. **Quiet Possession.** Until default of payment or default in performance of its obligations under the Offer of Finance or hereunder, the Chargor shall have quiet possession of the Mortgaged Premises.
9. **Compliance with Environmental Laws.** The Chargor covenants, represents and warrants to the Chargee that:
- (a) shall conduct and maintain its business operations and the Mortgaged Premises so as to comply in all respects with all applicable Environmental Laws including obtaining all necessary licences, permits, consents and approvals required to own or operate the Mortgaged Premises and the businesses carried on at or from the Mortgaged Premises;
  - (b) except as specifically permitted by the Chargee in writing, the Chargor shall not permit or suffer to exist Contaminants or dangerous or potentially dangerous conditions on or affecting the Mortgaged Premises whether on or below the surface of the Lands or located in any Fixtures including, without limitation, any materials containing gasoline, polychlorinated biphenyls, or radio-active substances underground storage tanks, asbestos or urea formaldehyde insulation;
  - (c) the Chargor has no knowledge of the existence of Contaminants or dangerous or potentially dangerous conditions at, on or under the Mortgaged Premises or any properties in the vicinity of the Lands which could affect the Mortgaged Premises or the market value thereof or in levels that exceed the standards in Environmental Laws;
  - (d) the Chargor has no knowledge of the Mortgaged Premises, or any portion thereof, having been used for the disposal of waste;
  - (e) the Chargor has not given or received, nor does it have an obligation to give, any notice, claim, communication or information regarding any past, present, planned or threatened treatment, storage, disposal, presence, release or spill of any Contaminant at, on, under or from the Mortgaged Premises or any property adjacent or proximate thereto, including any notice pursuant to any Environmental Laws or any environmental report or audit. The Chargor shall notify the Chargee promptly and in reasonable detail upon receipt of any such claim, notice, communication or information or if the Chargor becomes aware of any violation or potential violation of the Chargor of any Environmental Laws and setting forth the action which the Chargor intends to take with respect to such matter;
  - (f) there is no, and the Chargor has not received notice of and has no knowledge or information of any, pending, contemplated or threatened litigation or claim for judicial or administrative action which would adversely affect the Mortgaged Premises or its use or market value including, without limitation, any action pending or threatened by any adjacent or affected land owner relating to the use of the Mortgaged Premises, or the existence on the Mortgaged Premises of, or leakage from the Mortgaged Premises of, noxious, dangerous, potentially dangerous, or toxic substances;
  - (g) the Chargor shall at its own expense establish and maintain a system to assure and monitor continued compliance with, and to prevent the contravention of, Environmental Laws, which system shall include periodic reviews of such compliance system and the Chargor shall provide an annual report to the Chargee regarding the Chargor's environmental performance, and the effectiveness of such system;
  - (h) the Chargor shall promptly advise the Chargee in writing of any material adverse change in the environmental or other legal requirements affecting the Chargor or the Mortgaged Premises upon the Chargor becoming aware of any such change, and the Chargor shall provide the Chargee with a copy of any of the orders, by-laws, agreements or other documents pursuant to which any such change is effected or documented;



- (i) the Chargor shall at its own expense promptly take or cause to be taken any and all necessary remedial or clean-up action in response to the presence, storage, use, disposal, transportation, release or discharge of any Contaminant in, on, under or about any of the Mortgaged Premises, or used by the Chargor, in compliance with all material laws including, without limitation, Environmental Laws, and in accordance with the orders and directions of all applicable federal, state, provincial, municipal and local governmental authorities;
  - (j) the Chargor shall deliver to the Chargee a true and complete copy of all environmental audits, evaluations, assessments, studies or tests relating to the Mortgaged Premises or the Chargor now in its possession or control or forthwith after the completion thereof, or upon such materials coming into the Chargor's possession or control;
  - (k) the Chargor shall at its expense, if reasonably requested by the Chargee in writing, retain an environmental consultant acceptable to the Chargee, acting reasonably, to undertake environmental tests and to prepare a report or audit with respect to the Mortgaged Premises and deliver same to the Chargee for its review; and
  - (l) the Chargor shall indemnify and save harmless the Chargee, its officers, directors, employees, agents and shareholders from and against all losses, liabilities, damages or costs (including complete reimbursement for 100% of all legal fees and disbursements) suffered including, without limitation, the cost or expense of any environmental investigation, the preparation of any environmental or similar report, and the costs of any remediation arising from or relating to any breach of the foregoing covenants of this Section 9, any breach by the Chargor or any other person now or hereafter having an interest in the Mortgaged Premises which is asserted or claimed against the Chargee; the presence, in any form, of any Contaminant on or under the Mortgaged Premises, or the discharge, release, spill or disposal of any contaminant by the Chargor, which is asserted or claimed against any of these indemnified persons. This indemnity shall survive the payment in full of all amounts secured hereunder and the discharge of this Charge. The Chargee shall hold the benefit of this indemnity in trust for those indemnified persons who are not parties to this Charge.
10. **Condominium.** If the Mortgaged Premises or any part thereof is or becomes a unit or units in a condominium, the provisions of this section shall apply. The Chargor covenants with the Chargee that:
- (a) The Chargor will promptly observe and perform all obligations imposed on the Chargor by the Condominium Act and by the Declaration, the By-laws and the Rules, as amended from time to time, of the Condominium Corporation, by virtue of the Chargor's ownership of the Mortgaged Premises. Any breach of the said duties and obligations shall constitute a breach of covenant under this Charge;
  - (b) Without limiting or restricting the generality of the foregoing:
    - (i) The Chargor will pay promptly when due any contributions to common expenses required of the Chargor as an owner of the Mortgaged Premises;
    - (ii) The Chargor will transmit to the Chargee forthwith upon the demand of the Chargee satisfactory proof that all common expenses assessed against or in respect of the Mortgaged Premises have been paid as assessed;
    - (iii) The Chargee may pay out of and deduct from any advance of monies secured hereunder all contributions to the common expenses assessed against or in respect of the Mortgaged Premises which have become due and payable and are unpaid at the date of such advance; and
    - (iv) Whenever and so long as the Chargee so requires the Chargor shall on or before the date when any sum becomes payable by the Chargor in respect of common expenses pay such sum to the Chargee. The Chargee shall forthwith on receipt thereof remit all such sums to the Condominium Corporation on behalf of the Chargor or as the Condominium Corporation may from time to time direct;
  - (c) The Chargee is hereby irrevocably authorized and empowered to exercise the right of the Chargor as the owner of the Mortgaged Premises, to vote or to consent in all matters relating to the affairs of the Condominium Corporation provided that:
    - (i) The Chargee may at any time or from time to time give notice in writing to the Chargor and the Condominium Corporation that the Chargee does not intend to exercise the said right to vote or consent and in that event until the Chargee revokes the said notice the Chargor may exercise the right to vote or consent. Any such notice may be for an indeterminate period of time or for a limited period of time or for a specific meeting or matter;
    - (ii) The Chargee shall not by virtue of the assignment to the Chargee of the said right to vote or consent, be under any obligation to vote or consent or to protect the interests of the Chargor; and
    - (iii) The exercise of the said right to vote or consent shall not constitute the Chargee a mortgagee in possession.
  - (d) If the Mortgaged Premises or any part thereof shall become a unit or units in a condominium at any time after the execution and delivery of this Charge, the Chargor shall, whenever requested by the Chargee, execute and deliver any further and other charges, assurances or other instruments as the Chargee shall require in order to preserve, protect or perfect the security provided by this Charge and each of the provisions thereof, including without limitation a further charge covering all of the units in the said condominium and their appurtenant common interests.
11. **Waivers.** The Chargee may waive in writing any breach by the Chargor of any of the provisions contained in this Charge or any default by the Chargor in the observance or performance of any covenant or condition required to be observed or performed by the Chargor under the Offer of Finance, the Note or hereunder, provided that no such waiver by the Chargee shall extend to or be taken in any manner to affect any subsequent breach or default or the rights resulting therefrom.

12. **Performance of Covenants.** If the Chargor shall fail to perform any covenant on its part contained in the Offer of Finance or hereunder, the Chargee may in its absolute discretion perform any such covenant capable of being performed by it, but the Chargee shall be under no obligation to do so. If any such covenant requires the payment of money or if the Mortgaged Premises shall become subject to any encumbrance ranking in priority to the lien hereof other than a Permitted Encumbrance, the Chargee may in its absolute discretion make such payment and/or pay or discharge such encumbrance, but shall be under no obligation to do so. All sums so paid by the Chargee shall immediately be payable by the Chargor to the Chargee, shall bear interest at the Interest Rate until paid in full and shall constitute a charge upon the Mortgaged Premises. No such performance or payment shall relieve the Chargor from any default hereunder or any consequences of such default.
13. **Appointment of Monitor.** If in the opinion of the Chargee, acting reasonably, a material adverse change has occurred in the financial condition of the Chargor, or if the Chargee in good faith believes that the ability of the Chargor to pay any of its obligations to the Chargee or to perform any other covenant contained herein has become impaired, or if an event of default has occurred, the Chargee may by written notice to the Chargor, appoint a monitor (the "Monitor") to investigate any or a particular aspect of the Chargor or its business and affairs for the purpose of reporting to the Chargee. The Chargor shall give the Monitor its full co-operation, including full access to facilities, assets and records of the Chargor and to its creditors, customers, contractors, officers, directors, employees, auditors, legal counsel and agents. The Monitor shall have no responsibility for the affairs of the Chargor nor shall it participate in the management of the Chargor's affairs and shall incur no liability in respect thereof or otherwise in connection with the Chargor, its business and affairs or the Mortgaged Premises. The Monitor shall act solely on behalf of the Chargee and shall have no contractual relationship with the Chargor as a consultant or otherwise. The appointment of a Monitor shall not be regarded as an act of enforcement of this Charge. All reasonable fees and expenses of the Monitor (including complete reimbursement for 100% of all legal fees and disbursements) shall be paid by the Chargor upon submission to it of a written invoice therefor. The Chargee at its option upon the occurrence of an event of default appoint or seek to have appointed the Monitor or Receiver, receiver and Manager, liquidator, or trustee in bankruptcy of the Chargor or the Mortgaged Premises or any part thereof.
14. **Continuing and Additional Security.** The security hereby constituted is continuing security for the payment of all Indebtedness and the fulfilment of all of the obligations of the Chargor under the Offer of Finance and hereunder and such security is in addition to any other security now or hereafter held by the Chargee. The taking of any action or proceedings or refraining from so doing, or any other dealings with any other security for the moneys secured hereby, shall not release or affect the obligations of the Chargor hereunder or under the Offer of Finance or the Note or the charges created hereby or otherwise.
15. **Default.** The security hereby created shall become enforceable in each of the following events (each event being herein called an "Event of Default"):
  - (a) if the Chargee shall make an authorized and proper written demand for payment of any Indebtedness, under the Offer of Finance, the Note, hereunder or otherwise of moneys hereby secured and payment in full has not been received by the Chargee forthwith after such demand has been made;
  - (b) if the Chargor defaults in the performance of any of the covenants contained in Section 9 of the Note or in clauses 7(h), 7(k), 7(m) or 7(r) or Section 13 of this Charge;
  - (c) if the Chargor defaults in the performance or observance of any other covenant or condition contained in the Offer of Finance, in the Note or hereunder or in any other security instrument, agreement or other instrument issued by the Chargor to the Chargee or to which the Chargor and the Chargee are parties and such default shall continue for fifteen (15) days after written notice thereof to the Chargor by the Chargee;
  - (d) if there is any material misrepresentation or misstatement contained in any certificate or document delivered by the Chargor or any representative of the Chargor to the Chargee in connection with this Charge, the Offer of Finance or the Indebtedness;
  - (e) if the Chargor institutes any proceeding or takes any corporate action or executes any agreement or notice of intention to authorize its participation in or commencement of any proceeding (i) seeking to adjudicate it a bankrupt or insolvent, or (ii) seeking liquidation, dissolution, winding up, restructuring, reorganization, arrangement, protection, relief or composition of it or any of its property or debt or making a proposal with respect to it under any Bankruptcy Legislation;
  - (f) if the Chargor becomes bankrupt or insolvent or commits an act of bankruptcy or any proceeding is commenced against or affecting the Chargor:
    - (i) seeking to adjudicate it a bankrupt or insolvent,
    - (ii) seeking liquidation, dissolution, winding up, restructuring, reorganization, arrangement, protection, relief or composition of it or any of its property or debt or making a proposal with respect to it under any Bankruptcy Legislation,
    - (iii) seeking appointment of a receiver, receiver and manager, liquidator, trustee, agent, custodian or other similar official for it or for any part of its properties and assets, including the Mortgaged Premises or any part thereof;
  - (g) any order or judgment is issued by a court granting any of the relief referred to in Section 15(f) hereof;
  - (h) if an encumbrancer or secured creditor shall appoint a receiver or agent or other similar official, or commence power of sale proceedings, over any part of the Mortgaged Premises, or take possession of any part of the Mortgaged Premises or if any execution, distress or other process of any court becomes enforceable against any of the property of the Chargor, or a distress or like process is levied upon any of such property;
  - (i) if the Chargor takes any corporate proceedings for its dissolution, liquidation or amalgamation with another company or if the corporate existence of the Chargor shall be terminated by expiration, forfeiture or otherwise;

- (j) if any portion of the Mortgaged Premises is expropriated by any governmental body or authority which the Chargee in its absolute discretion considers material;
  - (k) if any part of the Mortgaged Premises shall be sold, transferred or otherwise alienated or disposed of by the Chargor without the prior written consent of the Chargee, which consent shall not be unreasonably withheld or delayed.
16. **Remedies.** Upon the happening of any Event of Default, in addition to any other rights or remedies available to it hereunder or at common law or equity or pursuant to any statute, the Chargee shall have the following rights and powers:
- (a) to enter upon and possess all or any part of the Mortgaged Premises;
  - (b) to hold, use, repair, preserve, maintain, complete, construct and build all or any part of the Mortgaged Premises and make such replacements thereof and changes or additions thereto as the Chargee shall deem advisable;
  - (c) on default of payment for at least fifteen (15) days the Chargee or its agents or representatives may on giving the notice, if any, required by Section 15 above enter on and/or lease the Mortgaged Premises or on default of payment for at least fifteen (15) days may on at least thirty-five (35) days' notice sell the Mortgaged Premises. In the event that the giving of such notice shall not be required by law or to the extent that such requirements shall not be applicable, it is agreed that notice may be effectually given by giving it in accordance with paragraph 32 hereof; and such notice shall be sufficient although not addressed to any person or persons by name or designation and notwithstanding that any person to be affected thereby may be unknown, unascertained or under disability. The Chargee may sell the Mortgaged Premises or any part thereof by public auction or private sale, for such price as can reasonably be obtained therefor, and on such terms as to credit and otherwise, and with such conditions of sale and stipulations as to title or evidence or commencement of title or otherwise, as it shall in its discretion deem proper, and in the event of any sale on credit or for part cash and part credit, the Chargee shall not be accountable for or charged with any moneys until actually received. The Chargee may rescind or vary any contract of sale and may buy in and resell the Mortgaged Premises or any part thereof without being answerable for loss occasioned thereby. No purchaser or lessee shall be bound to enquire into the legality, regularity or propriety of any sale or lease or be affected by notice of any irregularity or impropriety of any kind; and no lack of default or want of notice or other requirement or any irregularity or impropriety of any kind shall invalidate any sale or lease hereunder. The Chargee may sell or lease without entering into actual possession of the Mortgaged Premises and when it desires to take possession it may break locks and bolts and while in possession or upon any sale or lease the Chargee shall be accountable only for moneys which are actually received by it. Sales may be made from time to time of parts of the Mortgaged Premises to satisfy any portion of the Indebtedness or other sums owing hereunder and leaving the Indebtedness or the residue thereof secured hereunder on the remaining Mortgaged Premises. The Chargor hereby appoints the Chargee its true and lawful attorney and agent to make application under the Planning Act and to do all things and execute all documents to effectually complete such sale. The Chargee may lease or take sale proceedings hereunder notwithstanding that other mortgage proceedings have been taken or are then pending; and
  - (d) to appoint by instrument in writing any person or persons to be a Receiver of all or any portion of the undertaking, property and assets of the Chargor forming the Mortgaged Premises and all rents, issues, incomes and profits to be derived therefrom, to fix the Receiver's remuneration and from time to time to remove any Receiver so appointed and appoint another or others in his stead; and
  - (e) to apply to any court of competent jurisdiction for the appointment of a Receiver of all or any portion of the undertaking, property and assets hereby charged.
17. **Powers of Receiver.**
- (a) Any Receiver shall have all of the powers of the Chargee set forth in this Charge and, in addition, shall have the following powers:
    - (i) to carry on the business of the Chargor and to enter into any compromise or arrangement on behalf of the Chargor;
    - (ii) with the prior written consent of the Chargee to borrow money in his name or in the Chargor's name, for the purpose of carrying on the business of the Chargor and for the preservation and realization of the undertaking, property and assets of the Chargor including, without limitation, the right to pay persons having prior charges or encumbrances on properties on which the Chargor may hold charges or encumbrances, with any amount so borrowed and any interest thereon to be a charge upon the Mortgaged Premises in priority to this Charge;
    - (iii) to make such arrangements, at such time or times as the Receiver may deem necessary without the concurrence of any other persons, for the repairing, finishing, adding to, or putting in order the Mortgaged Premises including without restricting the generality of the foregoing to complete, with such variations, additions and deletions as the Chargee may approve, the construction of the Mortgaged Premises, or award the same to others to complete, notwithstanding that the resulting cost exceeds the principal amount hereinbefore set forth, and in either of such cases, shall have the right to take possession of and use or permit others to use all or any part of the Chargor's materials, supplies, plans, tools, equipment (including appliances on the Lands) and property of every kind and description;
    - (iv) to sell or lease or concur in the selling or leasing of the whole or any part of the Mortgaged Premises and in exercising the Receiver's foregoing power to sell or lease the Mortgaged Premises the Receiver may in his absolute discretion:
      - (A) sell or lease the whole or any part of the Mortgaged Premises by public or private tender or by private contract,
      - (B) grant options to purchase or lease or both,

- (C) grant rights of first refusal to purchase or lease or both,
  - (D) complete any contract for sale, lease, option or right of first refusal,
  - (E) enter into open, exclusive and multiple listing contracts for sale or lease,
  - (F) sign and file subdivision, condominium, strata, consolidation or other plans, plats or declarations,
  - (G) complete and file prospectuses, disclosure statements or affidavits in connection with any proposed disposition of the Mortgaged Premises or any portion or portions thereof,
  - (H) effect a sale or lease by conveying in the name of or on behalf of the Chargor or otherwise,
  - (I) make any stipulation as to title or conveyance or commencement of title,
  - (J) rescind or vary any contract of sale, lease, option or right of first refusal,
  - (K) resell or release without being answerable for any loss occasioned thereby,
  - (L) sell on terms as to credit as shall appear to be most advantageous to the Receiver and if a sale is on credit the Receiver shall not be accountable for any moneys until actually received, and
  - (M) make any arrangements or compromises which the Receiver shall think expedient;
- (b) Any Receiver appointed pursuant to the provisions hereof shall be deemed to be an agent of the Chargor for the purposes of:
- (i) carrying on and managing the business and affairs of the Chargor, and
  - (ii) establishing liability for all of the acts or omissions of the Receiver while acting in any capacity hereunder and the Chargee shall not be liable for such acts or omissions,

provided that, without restricting the generality of the foregoing, the Chargor irrevocably authorizes the Chargee to give instructions to the Receiver relating to the performance of its duties as set out herein.

18. **Attorney.** The Chargor hereby irrevocably nominates, constitutes and appoints the Chargee and any person further designated by the Chargee as the true and lawful attorney of the Chargor for and in the name of the Chargor after an Event of Default has occurred and is continuing and this Charge or any other security held by the Chargee for the Indebtedness or other obligations of the Chargor has become enforceable, to execute and do any deeds, documents, transfers, demands, assignments, assurances, consents and things which the Chargor is obliged to sign, execute or do hereunder and to commence, continue and defend any proceedings authorized to be taken hereunder and generally to use the name of the Chargor in the exercise of all or any of the powers hereby conferred on the Chargor and on any Receiver appointed hereunder.
19. **Application of Moneys.** All moneys actually received by the Chargee or the Receiver pursuant to Sections 16 and 17 of this Charge shall be applied:
- (a) first, in payment of claims, if any, of creditors of the Chargor (including any claim of the Receiver pursuant to Section 17(a)), ranking in priority to the charges created by this Charge as directed by the Chargee or the Receiver;
  - (b) second, in or towards payment of all applicable Costs;
  - (c) third, in or towards payment or satisfaction of any remaining Indebtedness in such order as the Chargee in its sole discretion may determine;
  - (d) fourth, in or towards the payment of the obligation of the Chargor to persons, if any, with charges or security interests against the Mortgaged Premises ranking subsequent to those in favour of the Chargee; and
  - (e) fifth, subject to applicable law, any surplus shall be paid to the Chargor.
20. **Release, Extensions, etc.** The Chargee may in its sole discretion at all times release any part or parts of the Mortgaged Premises either with or without any consideration therefor, without responsibility therefor and without thereby releasing any other part of the Mortgaged Premises or any person from his obligations under the Offer of Finance, the Note, this Charge, the Indebtedness or from any of the covenants herein or therein contained and without being accountable to the Chargor for the value thereof or for any money except that actually received by the Chargee, it being expressly agreed that every part of the Mortgaged Premises into which it is or may hereafter be divided does and shall stand charged with the whole of the amount hereby secured. The Chargee may grant time, renewals, extensions, indulgences, releases and discharges to, may take additional securities may give any securities up, may abstain from taking securities or from perfecting securities, may accept compositions, and may otherwise deal with the Chargor and all other persons and securities as the Chargee may see fit without prejudicing the rights of the Chargee under this Charge.
21. **No Change in Rights.** No sale or other dealing by the Chargor with the Mortgaged Premises or any part thereof shall in any way change the liability of the Chargor or in any way alter the rights of the Chargee as against the Chargor or the amount or terms of any Indebtedness or of the Offer of Finance or Note.
22. **No Merger.** The taking of any judgment or the exercise of any power of seizure or sale shall not operate to extinguish the liability of the Chargor to perform its obligations hereunder or to pay the moneys hereby secured, shall not operate as a merger of any covenant herein contained or affect the right of the Chargee to interest at the Interest Rate in effect from time to time hereunder, and the acceptance of any payment or other security shall not constitute or create any novation. The

execution and delivery of this Charge or of any instruments or documents supplemental hereto shall not operate as a merger of any representation, warranty, term, condition or other provision contained in any other obligation or indebtedness of the Chargor to the Chargee or under any Offer of Finance.

23. **Assignment of Rents.** Subject to the proviso for defeasance, and as additional and separate continuing security for the Chargor's obligations under the Offer of Finance and hereunder, the Chargor hereby assigns to the Chargee subject to the rights of the holders of the Permitted Encumbrances all present and future leases of the Mortgaged Premises or any part thereof, and all rents, issues, incomes and profits now or hereafter derived from the leases or the Mortgaged Premises or any part thereof, together with the benefit of all covenants, agreements and provisos contained in such leases. The Chargor will execute and deliver to the Chargee, from time to time, upon the request of the Chargee and at the expense of the Chargor, assignments in registrable form in the Chargee's usual form of all leases and rents relating to the Mortgaged Premises and such other notices or documents as may be required by the Chargee. Until an event of default occurs under the Charge the Chargor may demand, receive, collect and enjoy the rents only as the same fall due and payable and, except for the last month's rental, not in advance, but nothing shall permit or authorize the Chargor to collect or receive rents contrary to the covenants contained herein. Nothing in this Charge shall make the Chargee responsible for the collection of rents payable under any lease of the Mortgaged Premises or any part thereof or for the performance of any covenants, terms or conditions contained in any such lease. The Chargee shall be liable to account only for such rents as actually come into its hands after the deductions of reasonable collection charges in respect thereof and may apply such rents to the repayment of the Indebtedness and Costs.
24. **Interpretation.** Unless the context otherwise requires, words reporting the singular include the plural and vice-versa and words importing gender include all genders; all rights, advantages, privileges, immunities, powers and things hereby secured to the Chargee shall be equally secured to and exercisable by its successors and assigns; all covenants and liabilities entered into or imposed hereunder upon the Chargor shall be equally binding upon his heirs, executors, administrators and assigns or successors and assigns as the case may be; all such covenants, liabilities and obligations shall be joint and several; time shall be of the essence hereof; and all provisions hereof shall have effect notwithstanding any statute to the contrary.
25. **Headings.** The division of this Charge into separate sections, paragraphs and clauses and the insertion of headings are included for convenience of reference only and are not intended to affect the construction or interpretation of the Charge nor are they intended to be full or accurate descriptions of the contents.
26. **No Obligation to Advance.** Neither the execution nor registration of this Charge, nor the advance of any moneys of any amounts secured hereby shall bind the Chargee to advance any of the Principal Amount secured hereby or any part thereof, but nevertheless the charges created hereby shall take effect upon execution hereof.
27. **Disclosure of Information.** The Chargor acknowledges that pursuant to the provisions of applicable construction lien legislation, the Personal Property Security Act and other similar legislation, the Chargee may be obliged to release information relating to the Offer of Finance, the Note, this Charge, the Indebtedness and any amounts advanced thereunder or secured hereby. The Chargor hereby authorizes the Chargee to release all such information and any other information it may, from time to time, be required to release by law to those entitled to such information.
28. **Spousal Status.** The Chargor shall forthwith notify the Chargee in writing of any change in the Chargor's spousal status and provide the Chargee with such further particulars as the Chargee may request.
29. **Date of Charge.** The Chargor and Chargee agree that the date of the Charge shall be the earliest date of signature by a Chargor specified in Box 11 of Form B in the case of paper registration and shall be deemed to be as of the delivery for registration of this Charge in the case of electronic registration, unless otherwise specifically provided.
30. **Discharge.** After payment in full of all Indebtedness and Costs and the performance of all of the Chargor's obligations under the Offer of Finance and hereunder, the Chargee shall within a reasonable period of time after receipt of a written request therefor from the Chargor, provide the Chargor with a discharge of the Charge or an assignment or transfer of the Charge if so required and directed by the Chargor; any such discharge, assignment or transfer shall be prepared by the Chargee at the expense of the Chargor.
31. **Proper Law.** This Charge shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
32. **Notice and Payments.** Any payments not received by the Chargee by two o'clock p.m. on a Business Day shall be deemed to have been received on the next Business Day. Any notice required or desired to be given hereunder or under any Offer of Finance or under any instrument supplemental or collateral hereto shall be in writing and may be given by personal delivery, by facsimile or other means of electronic communication or by sending the same by registered mail, postage prepaid, to the Chargor or the Chargee at their addresses set forth in this Charge and, in the case of electronic communication to the facsimile numbers set forth below:
  - (a) in the case of the Chargee, to facsimile number (416) 229-4760; and
  - (b) in the case of the Chargor, to facsimile number (905) \_\_\_\_\_

Any notice so delivered shall be conclusively deemed given when personally delivered, any notice sent by facsimile or other means of electronic transmission shall be deemed to have been delivered on the Business Day following the sending of the notice, and any notice so mailed shall be conclusively deemed given on the third Business Day following the day of mailing, provided that in the event of a known disruption of postal service, notice shall not be given by mail. Any address for notice or payments may be changed by notice given pursuant hereto.

33. **Delivery of Charge.** The delivery of this Charge for registration by direct electronic transfer shall have the same effect for all purposes as if such Charge were in written form, signed by the parties thereto and delivered to the Chargee. The Chargor agrees not to raise in any proceeding by the Chargee to enforce the Charge any want or lack of authority on the part of the person delivering the Charge for registration to so register.

### ASSIGNMENT OF INSURANCE MONIES

For valuable consideration (the receipt and sufficiency of which are hereby acknowledged Daco Manufacturing Ltd. (the "Borrower") hereby assigns and transfers to Roynat Inc. (the "Lender") the interest of the Borrower as insured under the policy of insurance described in Schedule "A" annexed hereto (the "Policy"). The Policy shall stand as continuing collateral security for the payment of any and all debts, liabilities and obligations (including interest thereon) present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, for which the Borrower is or may become liable to the Lender (such debts, liabilities and obligations being hereinafter collectively called the "Secured Obligations").

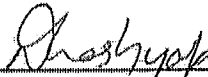
The Borrower further covenants and agrees as follows:

1. The insurer named in the Policy is hereby directed by the Borrower to pay all monies originally payable under the Policy to the Borrower (the "Monies") to the Lender, as its interest may appear, in accordance with this assignment at 40 King St. West, 26<sup>th</sup> Floor, Toronto, Ontario. The Lender is authorized to give its receipts therefor which shall be binding upon the Borrower.
2. Subject to any explicit terms of any other agreement to which the Lender is a party, the Lender may collect, realize and otherwise deal with the Monies in any manner and at such time or times as may seem to it advisable and without notice to the Borrower. Any Monies received by the Borrower are received as trustee for the Lender and shall be forthwith paid over to the Lender.
3. Any Monies received by the Lender may be applied on account of such part or parts of the Secured Obligations as the Lender deems best without prejudice to its claims upon the Borrower for any deficiency.
4. The Lender may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with the insurer named in the Policy, the Borrower and others and with the Monies and other securities as the Lender sees fit without prejudice to the liability to the Borrower or the Lender's right to hold or realize this security.
5. The Lender shall not be liable or accountable for any failure to collect any Monies. The Lender shall not be bound to institute proceedings for the purpose of collecting any Monies or for the purpose of preserving any rights of the Lender, the Borrower or any other person in respect thereof.
6. The Lender may charge on its own behalf, and also pay to others, reasonable sums for expenses incurred and for services rendered (expressly including legal fees and disbursements) in or in connection with collecting, realizing or obtaining payment of any Monies, and may add the amount of such sums to the Secured Obligations.
7. The Borrower shall deliver in writing to the Lender from time to time upon request by the Lender such information relating to the Policy as the Lender may require. The Lender shall be entitled from time to time to inspect any books, papers, documents or records evidencing or relating to the Policy and make copies thereof, and for such purpose the Lender shall have access to any and all premises occupied by the Borrower.

8. The Borrower shall, upon request by the Lender, do such acts and things and give such receipts, deeds, transfers, discharges or other instruments as may be necessary to enable the Lender to obtain payment of the Monies or any other amounts payable to the Lender hereunder.

IN WITNESS WHEREOF the Borrower has executed this assignment as of the 28 day of December, 2006.

**DACO MANUFACTURING LTD.**

Per: 

Name: Deepak Kashyap

Title: Vice President Finance

I have authority to bind the Corporation

SCHEDULE "A"  
POLICY OF INSURANCE



**THIS IS EXHIBIT "M" REFERRED TO IN THE  
AFFIDAVIT OF  
MATTHEW LUNETTA  
SWORN  
THE 3<sup>RD</sup> DAY OF JUNE, 2015**

A handwritten signature in black ink, appearing to read 'D. Cipollone', is written over a horizontal line.

**A Commissioner for taking affidavits, etc.**

**DANIEL PHILIP CIPOLLONE,**  
a Commissioner, etc., **Province of Ontario,**  
while a Student-at-Law.  
Expires April 8, 2016.

### ASSIGNMENT OF INSURANCE MONIES

For valuable consideration (the receipt and sufficiency of which are hereby acknowledged Daco Manufacturing Ltd. (the "Borrower") hereby assigns and transfers to Roynat Inc. (the "Lender") the interest of the Borrower as insured under the policy of insurance described in Schedule "A" annexed hereto (the "Policy"). The Policy shall stand as continuing collateral security for the payment of any and all debts, liabilities and obligations (including interest thereon) present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, for which the Borrower is or may become liable to the Lender (such debts, liabilities and obligations being hereinafter collectively called the "Secured Obligations").

The Borrower further covenants and agrees as follows:

1. The insurer named in the Policy is hereby directed by the Borrower to pay all monies originally payable under the Policy to the Borrower (the "Monies") to the Lender, as its interest may appear, in accordance with this assignment at 40 King St. West, 26<sup>th</sup> Floor, Toronto, Ontario. The Lender is authorized to give its receipts therefor which shall be binding upon the Borrower.
2. Subject to any explicit terms of any other agreement to which the Lender is a party, the Lender may collect, realize and otherwise deal with the Monies in any manner and at such time or times as may seem to it advisable and without notice to the Borrower. Any Monies received by the Borrower are received as trustee for the Lender and shall be forthwith paid over to the Lender.
3. Any Monies received by the Lender may be applied on account of such part or parts of the Secured Obligations as the Lender deems best without prejudice to its claims upon the Borrower for any deficiency.
4. The Lender may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with the insurer named in the Policy, the Borrower and others and with the Monies and other securities as the Lender sees fit without prejudice to the liability to the Borrower or the Lender's right to hold or realize this security.
5. The Lender shall not be liable or accountable for any failure to collect any Monies. The Lender shall not be bound to institute proceedings for the purpose of collecting any Monies or for the purpose of preserving any rights of the Lender, the Borrower or any other person in respect thereof.
6. The Lender may charge on its own behalf, and also pay to others, reasonable sums for expenses incurred and for services rendered (expressly including legal fees and disbursements) in or in connection with collecting, realizing or obtaining payment of any Monies, and may add the amount of such sums to the Secured Obligations.
7. The Borrower shall deliver in writing to the Lender from time to time upon request by the Lender such information relating to the Policy as the Lender may require. The Lender shall be entitled from time to time to inspect any books, papers, documents or records evidencing or relating to the Policy and make copies thereof, and for such purpose the Lender shall have access to any and all premises occupied by the Borrower.

8. The Borrower shall, upon request by the Lender, do such acts and things and give such receipts, deeds, transfers, discharges or other instruments as may be necessary to enable the Lender to obtain payment of the Monies or any other amounts payable to the Lender hereunder.

**IN WITNESS WHEREOF** the Borrower has executed this assignment as of the 28 day of December, 2006.

**DACO MANUFACTURING LTD.**

Per: 

Name: Deepak Kashyap

Title: Vice President Finance

I have authority to bind the Corporation

SCHEDULE "A"  
POLICY OF INSURANCE



# MORRIS & MACKENZIE INC.

## CERTIFICATE OF INSURANCE

### THIS IS TO CERTIFY TO:

Laurentian Bank of Canada  
989 Derry Road East, Suite 303  
Legal Department  
Mississauga, ON  
L5T 2J8

Date of Issue: December 20, 2006  
Certificate #: 19774-00003  
Policy Term : April 30, 2006 to  
April 30, 2007

### INSURED:

Daco Manufacturing Ltd,  
401 Vaughan Valley Blvd., Woodbridge, Ontario L4H 3B5

This Certificate is only a statement of the existence of the policy or Policies of insurance herein referred to and neither affirmatively nor negatively amends, extends, or alters the coverage afforded by any policy described herein.

This is to certify that the policies listed below have been issued to the Insured named above for the policy term indicated. The insurance afforded by the policies described herein is subject to all the terms, exclusions, limits and conditions of such policies.

### COVERAGE:

| <u>KIND OF INSURANCE</u>    | <u>INSURANCE COMPANY</u> | <u>POLICY NUMBER</u> |
|-----------------------------|--------------------------|----------------------|
| Comp. Mercantile            | Lloyd's of London        | BB035138             |
| POED                        | \$11,298,000. Limit      |                      |
| Business Interruption       | Incl. in above limit     |                      |
| (12 month indemnity period) |                          |                      |
| Ordinary Payroll - 90 days  | Incl. in above limit     |                      |
| Accounts Receivables        | \$ 1,000,000. Limit      |                      |

"All Risk" coverage including flood, sewer backup and earthquake

| <u>KIND OF INSURANCE</u> | <u>INSURANCE COMPANY</u>   | <u>POLICY NUMBER</u> |
|--------------------------|----------------------------|----------------------|
| Comp. Mercantile         | Aviva Insurance Co. Canada | 81913410             |
| Building                 | \$3,500,000. Limit         |                      |

"All Risk" coverage including flood, Sewer Backup and Earthquake

| <u>KIND OF INSURANCE</u> | <u>INSURANCE COMPANY</u> | <u>POLICY NUMBER</u> |
|--------------------------|--------------------------|----------------------|
|--------------------------|--------------------------|----------------------|

(Continued on Next Page)

**MORRIS & MACKENZIE INC.**

Page 2, Certificate Number 19774-00003

Boiler &amp; Machinery Boiler Inspection &amp; Ins. Co. 94001268

Combinded Property Damage \$14,548,000. Limit  
Including Business Interruption  
and Ordinary Payroll

Comprehensive Coverage  
Repair & Replacement

SPECIAL CONDITIONS:

Second Mortgagee: Laurentian Bank of Canada  
with respect to the insured location listed below.

The policy contains a standard mortgage clause.

Location Insured: 401 Vaughan Valley Blvd., Woodbridge, Ont. L4H 3B5

CANCELLATION:

Should any of the above described policies be terminated before the expiration date thereof, the insuring company will endeavor to mail 30 days notice to whom this Certificate is issued, but failure to mail such notice shall impose no obligation or liability of any kind upon the Insurer, its agents or representatives.

Morris &amp; Mackenzie Inc.

per

  
Fee Lin Bunnett

Authorized Representative



# MORRIS & MACKENZIE INC.

## CERTIFICATE OF INSURANCE

### THIS IS TO CERTIFY TO:

Roynat Capital Inc.  
5160 Yonge Street, Suite 1000  
Toronto, ON  
M2N 6L9

Date of Issue: December 20, 2006  
Certificate #: 19774-00002  
Policy Term : April 30, 2006 to  
April 30, 2007

### INSURED:

Daco Manufacturing Ltd,  
401 Vaughan Valley Blvd., Woodbridge, Ontario L4H 3B5

This Certificate is only a statement of the existence of the policy or Policies of insurance herein referred to and neither affirmatively nor negatively amends, extends, or alters the coverage afforded by any policy described herein.

This is to certify that the policies listed below have been issued to the Insured named above for the policy term indicated. The insurance afforded by the policies described herein is subject to all the terms, exclusions, limits and conditions of such policies.

### COVERAGE:

| <u>KIND OF INSURANCE</u>    | <u>INSURANCE COMPANY</u> | <u>POLICY NUMBER</u> |
|-----------------------------|--------------------------|----------------------|
| Comp. Mercantile            | Lloyd's of London        | BB035138             |
| POED                        | \$11,298,000. Limit      |                      |
| Business Interruption       | Incl. in above limit     |                      |
| (12 month indemnity period) |                          |                      |
| Ordinary Payroll - 90 days  | Incl. in above limit     |                      |
| Accounts Receivables        | \$ 1,000,000. Limit      |                      |

"All Risk" coverage including flood, sewer backup and earthquake

| <u>KIND OF INSURANCE</u> | <u>INSURANCE COMPANY</u>   | <u>POLICY NUMBER</u> |
|--------------------------|----------------------------|----------------------|
| Comp. Mercantile         | Aviva Insurance Co. Canada | 81913410             |
| Building                 | \$3,500,000. Limit         |                      |

"All Risk" coverage including flood, Sewer Backup and Earthquake

| <u>KIND OF INSURANCE</u> | <u>INSURANCE COMPANY</u> | <u>POLICY NUMBER</u> |
|--------------------------|--------------------------|----------------------|
|--------------------------|--------------------------|----------------------|

(Continued on Next Page)

**MORRIS & MACKENZIE INC.**

Page 2, Certificate Number 19774-00002

Boiler &amp; Machinery Boiler Inspection &amp; Ins. Co. 94001268

Combinded Property Damage \$14,548,000. Limit  
Including Business Interruption  
and Ordinary Payroll

Comprehensive Coverage  
Repair & Replacement

SPECIAL CONDITIONS:

First Mortgagee: Roynat Capital Inc.  
with respect to the insured location listed below.

The policy contains a standard mortgage clause.

Location Insured: 401 Vaughan Valley Blvd., Woodbridge, Ont. L4H 3B5

CANCELLATION:

Should any of the above described policies be terminated before the expiration date thereof, the insuring company will endeavor to mail 30 days notice to whom this Certificate is issued, but failure to mail such notice shall impose no obligation or liability of any kind upon the Insurer, its agents or representatives.

Morris &amp; Mackenzie Inc.


per

  
Fee Lin Bunnett

Authorized Representative



**THIS IS EXHIBIT "N" REFERRED TO IN THE**  
**AFFIDAVIT OF**  
**MATTHEW LUNETTA**  
**SWORN**  
**THE 3<sup>RD</sup> DAY OF JUNE, 2015**

  
A Commissioner for taking affidavits, etc.

**DANIEL PHILIP CIPOLLONE,**  
a Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 8, 2016.

**PRIORITY AGREEMENT**

THIS AGREEMENT made and effective the \_\_\_\_ day of November, 2013

**BETWEEN:**

**DACO MANUFACTURING LTD.**, a corporation Incorporated  
under the laws of Ontario (hereinafter called the "Borrower")

and

**ROYNAT INC.** (hereinafter called the "Creditor")

and

**MERIDIAN CREDIT UNION LIMITED** (hereinafter called the  
"Lender"),

**WHEREAS:**

- A. The Creditor has registered a financing statement against the Borrower pursuant to the *Personal Property Security Act* (Ontario) (the "Act") as File No. 631614015, Registration No. 20061221 1018 8075 0674 (the "Prior Registration") with respect to a Security Agreement (the "Creditor's Security") over all of the present and after-acquired personal property of the Borrower (the "Collateral");
- B. The Lender has registered a financing statement against the Borrower pursuant to the Act as File No. 667837503, Registration No. 20110223 1109 1862 3169 (the "Subsequent Registration") with respect to a Security Agreement (the "Lender's Security") over the Collateral;
- C. The parties hereto have agreed to enter into this Agreement in order to set the respective priorities of the Lender's Security and the Creditor's Security.

**NOW THEREFORE THIS AGREEMENT WITNESSES** that in consideration of the premises and other good and valuable consideration the parties hereto hereby covenant, undertake, declare and agree as follows:

1. Each of the Lender, the Creditor and the Borrower declare, covenant and agree that, with respect to the Collateral, both present and future, the Creditor's Security is hereby postponed and subordinated in all respects to the security constituted by the Lender's Security.
2. The postponement and subordination contained herein shall apply in all events and circumstances regardless of:
  - (a) the date of execution, attachment, registration or perfection of any security interest held by the Creditor or the Lender; or
  - (b) the date of any advance or advances made to the Borrower by the Creditor or the Lender; or
  - (c) the date of default by the Borrower under any of the Lender's Security or the Creditor's Security; or
  - (d) any priority granted by any principle of law or any statute including the Act.
3. Any insurance proceeds received by the Borrower, the Creditor or the Lender in respect of the collateral charged by the Creditor's Security or the Lender's Security shall be dealt with according to the preceding provisions hereof as though such insurance proceeds were paid or payable as proceeds of realization of the collateral for which they compensate.
4. If any of the Creditor's Security or the Lender's Security is claimed or found by a trustee in bankruptcy or a court of competent jurisdiction to be unenforceable, invalid, unregistered or unperfected, the foregoing provisions shall not apply to such security to the extent that such security is so found to be unenforceable, invalid, unregistered or unperfected as against the third party unless the secured party is diligently contesting such claim and has provided the other secured party with a satisfactory indemnity.

- 2 -

5. Each of the parties hereto shall permit any of the other parties hereto and their employees, agents and contractors access at all reasonable times to any property and assets of the Borrower upon which it has a prior charge or security interest in accordance with the terms hereof and to permit such other party to remove such property and assets from the premises of the Borrower at all reasonable times without interference, provided that such other party shall promptly repair any damage caused to the premises by the removal of any such property or assets.

6. The Borrower hereby confirms to and agrees with the Creditor and the Lender that so long as any of the indebtedness of the Borrower herein referred to remains outstanding, it shall stand possessed of its assets so charged for the Creditor and for the Lender in accordance with their respective interests and priorities as herein set out.

7. From time to time upon request therefore, the Creditor and the Lender may advise each other of the particulars of the indebtedness and liability of the Borrower to each other and all security held by each therefor.

8. Each of the Creditor, the Lender and the Borrower shall do, perform, execute and deliver all acts, deeds and documents as may be necessary from time to time to give full force and effect to the intent of this Agreement; provided, however, that no consent of the Borrower shall be necessary to any amendment of the terms hereof by the Creditor or Lender unless the interest of the Borrower are directly affected thereby.

9. This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument and shall be effective as of the formal date hereof.

10. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective, successors and assigns.

11. This Agreement shall be governed by and construed in accordance with the laws of Ontario.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under their respective hands and seals and by their respective duly authorized and proper signing officers, as of the day and year first written above.

**DACO MANUFACTURING LTD.**

Per: Deepak Kashyap  
Title: Vice-President, Finance

I have the authority to bind the Corporation.

**ROYNAT INC.**

Per: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Title: \_\_\_\_\_

I/We have the authority to bind the Corporation.

**MERIDIAN CREDIT UNION LIMITED**

Per: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Title: \_\_\_\_\_

I/We have the authority to bind the Corporation.

## PRIORITY AGREEMENT

THIS AGREEMENT made and effective the \_\_\_\_ day of November, 2013

## BETWEEN:

DACO MANUFACTURING LTD., a corporation incorporated under the laws of Ontario (hereinafter called the "Borrower")

and

ROYNAT INC. (hereinafter called the "Creditor")

and

MERIDIAN CREDIT UNION LIMITED (hereinafter called the "Lender"),

## WHEREAS:

- A. The Creditor has registered a financing statement against the Borrower pursuant to the *Personal Property Security Act* (Ontario) (the "Act") as File No. 031614015, Registration No. 20061221 1018 8075 0874 (the "Prior Registration") with respect to a Security Agreement (the "Creditor's Security") over all of the present and after-acquired personal property of the Borrower (the "Collateral");
- B. The Lender has registered a financing statement against the Borrower pursuant to the Act as File No. 687837503, Registration No. 20110223 1109 1862 3169 (the "Subsequent Registration") with respect to a Security Agreement (the "Lender's Security") over the Collateral;
- C. The parties hereto have agreed to enter into this Agreement in order to set the respective priorities of the Lender's Security and the Creditor's Security.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and other good and valuable consideration the parties hereto hereby covenant, undertake, declare and agree as follows:

1. Each of the Lender, the Creditor and the Borrower declare, covenant and agree that, with respect to the Collateral, both present and future, the Creditor's Security is hereby postponed and subordinated in all respects to the security constituted by the Lender's Security.
2. The postponement and subordination contained herein shall apply in all events and circumstances regardless of:
  - (a) the date of execution, attachment, registration or perfection of any security interest held by the Creditor or the Lender; or
  - (b) the date of any advance or advances made to the Borrower by the Creditor or the Lender; or
  - (c) the date of default by the Borrower under any of the Lender's Security or the Creditor's Security; or
  - (d) any priority granted by any principle of law or any statute including the Act.
3. Any insurance proceeds received by the Borrower, the Creditor or the Lender in respect of the collateral charged by the Creditor's Security or the Lender's Security shall be dealt with according to the preceding provisions hereof as though such insurance proceeds were paid or payable as proceeds of realization of the collateral for which they compensate.
4. If any of the Creditor's Security or the Lender's Security is claimed or found by a trustee in bankruptcy or a court of competent jurisdiction to be unenforceable, invalid, unregistered or unperfected, the foregoing provisions shall not apply to such security to the extent that such security is so found to be unenforceable, invalid, unregistered or unperfected as against the third party unless the secured party is diligently contesting such claim and has provided the other secured party with a satisfactory indemnity.

5. Each of the parties hereto shall permit any of the other parties hereto and their employees, agents and contractors access at all reasonable times to any property and assets of the Borrower upon which it has a prior charge or security interest in accordance with the terms hereof and to permit such other party to remove such property and assets from the premises of the Borrower at all reasonable times without interference, provided that such other party shall promptly repair any damage caused to the premises by the removal of any such property or assets.

6. The Borrower hereby confirms to and agrees with the Creditor and the Lender that so long as any of the indebtedness of the Borrower herein referred to remains outstanding, it shall stand possessed of its assets so charged for the Creditor and for the Lender in accordance with their respective interests and priorities as herein set out.

7. From time to time upon request therefore, the Creditor and the Lender may advise each other of the particulars of the indebtedness and liability of the Borrower to each other and all security held by each thereof.

8. Each of the Creditor, the Lender and the Borrower shall do, perform, execute and deliver all acts, deeds and documents as may be necessary from time to time to give full force and effect to the intent of this Agreement; provided, however, that no consent of the Borrower shall be necessary to any amendment of the terms hereof by the Creditor or Lender unless the interest of the Borrower are directly affected thereby.

9. This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument and shall be effective as of the formal date hereof.

10. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective, successors and assigns.

11. This Agreement shall be governed by and construed in accordance with the laws of Ontario.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under their respective hands and seals and by their respective duly authorized and proper signing officers, as of the day and year first written above.

**DACO MANUFACTURING LTD.**

Per: \_\_\_\_\_  
Title: Vice-President, Finance

I have the authority to bind the Corporation

**ROYNAT INC.**

Per: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Title: \_\_\_\_\_

I/We have the authority to bind the Corporation.

**MERIDIAN CREDIT UNION LIMITED**

Per: \_\_\_\_\_  
Title: **Doug Adams**  
Account Manager, Commercial Services

Per: \_\_\_\_\_  
Title: \_\_\_\_\_

I/We have the authority to bind the Corporation.

## PRIORITY AGREEMENT

THIS AGREEMENT made and effective the \_\_\_\_ day of November, 2013

## BETWEEN:

DACO MANUFACTURING LTD., a corporation incorporated under the laws of Ontario (hereinafter called the "Borrower")

and

ROYNAT INC. (hereinafter called the "Creditor")

and

MERIDIAN CREDIT UNION LIMITED (hereinafter called the "Lender")

## WHEREAS:

- A The Creditor has registered a financing statement against the Borrower pursuant to the *Personal Property Security Act* (Ontario) (the "Act") as File No. 631814015, Registration No. 20061221 1018 8075 0674 (the "Prior Registration") with respect to a Security Agreement (the "Creditor's Security") over all of the present and after-acquired personal property of the Borrower (the "Collateral");
- B The Lender has registered a financing statement against the Borrower pursuant to the Act as File No. 867837503, Registration No. 20110223 1108 1862 3169 (the "Subsequent Registration") with respect to a Security Agreement (the "Lender's Security") over the Collateral;
- C The parties hereto have agreed to enter into this Agreement in order to set the respective priorities of the Lender's Security and the Creditor's Security.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and other good and valuable consideration the parties hereto hereby covenant, undertake, declare and agree as follows:

1. Each of the Lender, the Creditor and the Borrower declare, covenant and agree that, with respect to the Collateral, both present and future, the Creditor's Security is hereby postponed and subordinated in all respects to the security constituted by the Lender's Security.
2. The postponement and subordination contained herein shall apply in all events and circumstances regardless of:
  - (a) the date of execution, attachment, registration or perfection of any security interest held by the Creditor or the Lender; or
  - (b) the date of any advance or advances made to the Borrower by the Creditor or the Lender; or
  - (c) the date of default by the Borrower under any of the Lender's Security or the Creditor's Security; or
  - (d) any priority granted by any principle of law or any statute including the Act.
3. Any insurance proceeds received by the Borrower, the Creditor or the Lender in respect of the collateral charged by the Creditor's Security or the Lender's Security shall be dealt with according to the preceding provisions hereof as though such insurance proceeds were paid or payable as proceeds of realization of the collateral for which they compensate.
4. If any of the Creditor's Security or the Lender's Security is claimed or found by a trustee in bankruptcy or a court of competent jurisdiction to be unenforceable, invalid, unregistered or unperfected, the foregoing provisions shall not apply to such security to the extent that such security is so found to be unenforceable, invalid, unregistered or unperfected as against the third party unless the secured party is diligently contesting such claim and has provided the other secured party with a satisfactory indemnity.

v.2.

5. Each of the parties hereto shall permit any of the other parties hereto and their employees, agents and contractors access at all reasonable times to any property and assets of the Borrower upon which it has a prior charge or security interest in accordance with the terms hereof and to permit such other party to remove such property and assets from the premises of the Borrower at all reasonable times without interference, provided that such other party shall promptly repair any damage caused to the premises by the removal of any such property or assets.

6. The Borrower hereby confirms to and agrees with the Creditor and the Lender that so long as any of the indebtedness of the Borrower herein referred to remains outstanding, it shall stand possessed of its assets so charged for the Creditor and for the Lender in accordance with their respective interests and priorities as herein set out.

7. From time to time upon request therefore, the Creditor and the Lender may advise each other of the particulars of the indebtedness and liability of the Borrower to each other and all security held by each thereof.

8. Each of the Creditor, the Lender and the Borrower shall do, perform, execute and deliver all acts, deeds and documents as may be necessary from time to time to give full force and effect to the intent of this Agreement; provided, however, that no consent of the Borrower shall be necessary to any amendment of the terms hereof by the Creditor or Lender unless the interest of the Borrower are directly affected thereby.

9. This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument and shall be effective as of the formal date hereof.

10. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective, successors and assigns.

11. This Agreement shall be governed by and construed in accordance with the laws of Ontario.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under their respective hands and seals and by their respective duly authorized and proper signing officers, as of the day and year first written above.

DACO MANUFACTURING LTD.

Per: Deepak Kashyap  
Title: Vice-President, Finance

I have the authority to bind the Corporation.

ROYNAT INC.

Per: William (Bill) Luk  
Title: Director and District Manager

GTACentral

Per: Gaurav Chopra  
Title: Associate Director

I/We have the authority to bind the Corporation.

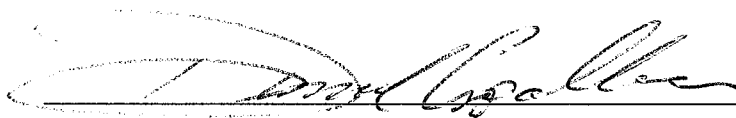
MERIDIAN CREDIT UNION LIMITED

Per:  
Title:

Per:  
Title:

I/We have the authority to bind the Corporation.

**THIS IS EXHIBIT "O" REFERRED TO IN THE**  
**AFFIDAVIT OF**  
**MATTHEW LUNETTA**  
**SWORN**  
**THE 3<sup>RD</sup> DAY OF JUNE, 2015**

A handwritten signature in black ink, appearing to read "Daniel Cipollone", is written over a horizontal line.

**A Commissioner for taking affidavits, etc.**

**DANIEL PHILIP CIPOLLONE,**  
a Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 8, 2016.



**Disco Manufacturing Ltd.**  
**Statement of Projected Cash Flow**

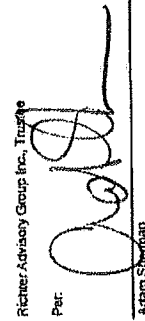
| Week Ending<br>(in \$CAD)       | 29-May         | 5-Jun            | 12-Jun          | 19-Jun          | 26-Jun          | 3-Jul           | 10-Jul          | 17-Jul          | 24-Jul          | 31-Jul          | 7-Aug           | 14-Aug          | 21-Aug          | Total            |
|---------------------------------|----------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| <b>Receipts</b>                 |                |                  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                  |
| Collections from pre-filing A/R | 104,834        | -                | 41,743          | -               | -               | 33,130          | -               | 20,104          | -               | -               | -               | -               | -               | 199,811          |
| Other                           | -              | -                | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -                |
| <b>Total Receipts</b>           | <b>104,834</b> | <b>-</b>         | <b>41,743</b>   | <b>-</b>        | <b>-</b>        | <b>33,130</b>   | <b>-</b>        | <b>20,104</b>   | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>199,811</b>   |
| <b>Disbursements</b>            |                |                  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                  |
| Payroll & Benefits              | 16,026         | 26,837           | 5,040           | 5,040           | 5,040           | 7,040           | 5,040           | 5,040           | 5,040           | 5,040           | 7,040           | 5,040           | 17,147          | 114,414          |
| Utilities                       | -              | 4,600            | -               | -               | -               | 4,600           | -               | -               | -               | -               | 4,600           | -               | -               | 13,800           |
| Property Taxes                  | 13,308         | -                | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | 13,308           |
| Insurance                       | 65,000         | -                | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | 65,000           |
| SGSBA                           | -              | 9,851            | 750             | 3,000           | -               | 8,851           | 750             | 3,000           | -               | 3,000           | 7,611           | 9,000           | -               | 40,833           |
| Professional Fees               | -              | -                | 42,500          | 25,000          | 22,500          | 35,000          | 32,500          | 37,500          | 12,500          | 25,000          | 12,500          | 25,000          | 12,500          | 387,500          |
| HST                             | -              | 85,000           | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -                |
| Contingency                     | 5,000          | 5,000            | 5,000           | 5,000           | 5,000           | 5,000           | 5,000           | 5,000           | 5,000           | 5,000           | 5,000           | 5,000           | 5,000           | 65,000           |
| <b>Total Disbursements</b>      | <b>99,334</b>  | <b>131,228</b>   | <b>53,290</b>   | <b>36,040</b>   | <b>32,540</b>   | <b>61,501</b>   | <b>43,290</b>   | <b>50,540</b>   | <b>22,540</b>   | <b>38,040</b>   | <b>36,751</b>   | <b>39,040</b>   | <b>34,647</b>   | <b>689,855</b>   |
| <b>Net Cash Flow</b>            | <b>15,500</b>  | <b>(131,228)</b> | <b>(11,547)</b> | <b>(28,040)</b> | <b>(32,540)</b> | <b>(28,372)</b> | <b>(43,290)</b> | <b>(30,437)</b> | <b>(22,540)</b> | <b>(26,040)</b> | <b>(36,751)</b> | <b>(33,040)</b> | <b>(34,847)</b> | <b>(470,044)</b> |

This statement of projected cash flow has been prepared pursuant to the requirements of paragraphs 50.4(2) and 50(5)(a) of the Bankruptcy and Insolvency Act and solely for that purpose.

Dated at Woodbridge, Ontario, this 28th day of May, 2015.

  
 Name of Signatory: Matthew Lunetta  
 Director

This statement of projected cash flow of Disco Manufacturing Ltd. is prepared in accordance with Section 50.4(2) and 50(5)(a) of the Bankruptcy and Insolvency Act and should be read in conjunction with the attached Trustee's Report of the Cash Flow Statement dated the 28th day of May, 2015 and the Report on Cash Flow Statement by the Person Making the Proposal dated the 28th day of May, 2015.

  
 Per: Adam Sheridan  
 Richter Advisory Group Inc., Trustee

District of: Ontario  
 Division No.: 09-Toronto  
 Court No.: 31-1995891  
 Estate No.: 31-1995891

FORM 29  
 Trustee's Report on Cash-Flow Statement  
 (Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of  
 Daco Manufacturing Ltd.  
 of the City of Vaughan  
 in the Province of Ontario

The attached statement of projected cash flow of Daco Manufacturing Ltd., as of the 19<sup>th</sup> day of May 2015, consisting of the period from May 25, 2015 to August 21, 2015, has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Toronto in the Province of Ontario, this 28<sup>th</sup> day May, 2015.

Richter Advisory Group Inc.  
 Trustee *in re* the proposal of  
 Daco Manufacturing Ltd.



Adam Sherman, MBA, CIRP  
 181 Bay Street, 33<sup>rd</sup> Floor  
 Toronto, ON M5J 2T3  
 Phone: (416) 488-2305 Fax: (416) 488-3765

District of: Ontario  
 Division No.: 09-Toronto  
 Court No.: 31-1995891  
 Estate No.: 31-1995891

FORM 29 – ATTACHMENT  
 Trustee's Report on Cash-Flow Statement  
 (Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of  
 Daco Manufacturing Ltd.  
 of the City of Vaughan  
 in the Province of Ontario

**Purpose:**

Daco Manufacturing Ltd. filed a Notice of Intention to Make a Proposal on May 19, 2015. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Daco Manufacturing Ltd. (the "Company"), for the period May 25, 2015 to August 21, 2015, relating to the filing of a Notice of Intention to Make a Proposal on May 19, 2015.

This Statement of Projected Cash Flow has been prepared by management on May 19, 2015, based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

**Projection Notes:**

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period May 25, 2015 to August 21, 2015, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

**Assumptions:**

(a) Projected Cash Receipts

- the projected cash receipts have been conservatively estimated by management, based upon the collection experience of the Company.

(b) Projected Cash Disbursements

- the projected cash disbursements have been estimated based upon historical data adjusted to reflect the current level of activity and best estimates of the Company; and
- the Company is currently having discussions with certain of its secured lenders regarding the funding of the Company's projected cash shortfall.

Dated at the City of Toronto in the Province of Ontario, this 28<sup>th</sup> day May, 2015.

Richter Advisory Group Inc.  
 Trustee *in re* the proposal of  
 Daco Manufacturing Ltd.



Adam Sherman, MBA, CIRP  
 181 Bay Street, 33<sup>rd</sup> Floor  
 Toronto, ON M5J 2T3  
 Phone: (416) 488-2305 Fax: (416) 488-3765

District of: Ontario  
 Division No.: 09-Toronto  
 Court No.: 31-1995891  
 Estate No.: 31-1995891

- FORM 30 -

Report on Cash-Flow Statement by the Person Making the Proposal  
 (Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of  
 Daco Manufacturing Ltd.  
 of the City of Vaughan  
 in the Province of Ontario

The management of Daco Manufacturing Ltd. has developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 19<sup>th</sup> day of May 2015 consisting of the period May 26, 2015 to August 21, 2015.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Vaughan in the Province of Ontario, this 26<sup>th</sup> day of May 2015.



Daco Manufacturing Ltd.  
 Debtor

*Matthew Lunetta*  
 \_\_\_\_\_  
 Print name of signing officer

District of: Ontario  
 Division No.: 09-Toronto  
 Court No.: 31-1995891  
 Estate No.: 31-1995891

- FORM 30 - Attachment  
 Report on Cash-Flow Statement by the Person Making the Proposal  
 (Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of  
 Daco Manufacturing Ltd.  
 of the City of Vaughan  
 in the Province of Ontario

**Purpose:**

Daco Manufacturing Ltd. filed a Notice of Intention to Make a Proposal on May 19, 2015. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Daco Manufacturing Ltd. (the "Company"), for the period May 25, 2015 to August 21, 2015, relating to the filing of a Notice of Intention to Make a Proposal on May 19, 2015.

This Statement of Projected Cash Flow has been prepared by management on May 19, 2015, based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

**Projection Notes:**

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period May 25, 2015 to August 21, 2015, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

**Assumptions:**

(a) Projected Cash Receipts

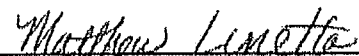
- the projected cash receipts have been conservatively estimated by management, based upon the collection experience of the Company.

(b) Projected Cash Disbursements

- the projected cash disbursements have been estimated based upon historical data adjusted to reflect the current level of activity and best estimates of the Company; and
- the Company is currently having discussions with certain of its secured lenders regarding the funding of the Company's projected cash shortfall.

Dated at the City of Vaughan in the Province of Ontario, this 28<sup>th</sup> day of May, 2015.

  
 \_\_\_\_\_  
 Daco Manufacturing Ltd.  
 Debtor

  
 \_\_\_\_\_  
 Print name of signing officer

# **TAB 3**

Court File No. 31-1995891  
Estate No. 31-1995891

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

|                    |   |                  |
|--------------------|---|------------------|
| THE HONOURABLE [•] | ) | [•], THE [•]     |
|                    | ) |                  |
| JUSTICE [•]        | ) | DAY OF [•], 2015 |

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED**

**AND IN THE MATTER OF THE NOTICE OF INTENTION OF  
DACO MANUFACTURING LTD. OF THE CITY OF TORONTO IN THE PROVINCE  
OF ONTARIO**

**ORDER**

**THIS MOTION** made by Daco Manufacturing Ltd. (the "**Company**") for an order, among other things, extending the time to file a proposal under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Notice of Motion, the affidavit of Matthew Lunetta sworn June 3, 2015 and the exhibits thereto (the "**Lunetta Affidavit**"), the report (the "**First Report**") of Richter Advisory Group Inc. in its capacity as the Proposal Trustee (the "**Proposal Trustee**") dated June 3, 2015, and on hearing the submissions of counsel for the Company, the submissions of counsel for the Proposal Trustee, and the submission of •, no one else appearing,

## **SERVICE**

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the First Report is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

## **APPROVAL OF BID PROCESS**

2. **THIS COURT ORDERS** that the bid process (the "**Bid Process**") described in the First Report be and it is hereby approved.

3. **THIS COURT ORDERS** that the Company and the Proposal Trustee be and they are hereby authorized and empowered to take such steps as are necessary or desirable to carry out and perform their obligations under the Bid Process.

## **ADMINISTRATION CHARGE**

4. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Company shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on all current and future assets, rights, undertakings, and properties of the Company, of every nature and kind whatsoever, and wherever situated including all proceeds thereof (the "**Property**"), which Administration Charge shall not exceed an aggregate amount of CAD \$150,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order in respect of these proceedings.



5. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge shall not be required, and that the Administration Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Administration Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

6. **THIS COURT ORDERS** that the Administration Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person, notwithstanding the order of perfection or attachment.

#### **EXTENSION OF TIME TO FILE PROPOSAL**

7. **THIS COURT ORDERS** that the time within which a proposal must be filed with the Official Receiver, and the stay of proceedings herein, be and it is hereby extended to July 17, 2015.

#### **SERVICE AND NOTICE**

8. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which may be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and

paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: [www.richter.ca/en/insolvency-cases/d/daco-manufacturing-ltd](http://www.richter.ca/en/insolvency-cases/d/daco-manufacturing-ltd).

9. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Proposal Trustee, counsel for the Proposal Trustee, and counsel for the Company are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile or electronic transmission to the Company's creditors or other interested parties at their respective addresses as last shown on the records of the Company and that any such service or notice by courier, personal delivery, facsimile or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

#### **GENERAL**

10. **THIS COURT ORDERS** that the Company or the Proposal Trustee may from time to time apply to this Court for advice and directions in the discharge of their powers and duties hereunder.

11. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Company or the Property.

12. **THIS COURT ORDERS** that each of the Company and the Proposal Trustee be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order, and for assistance in carrying out the terms of this Order and any other Order issued in these proceedings.

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IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF DACO MANUFACTURING LTD. OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO

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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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**ORDER**

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**BENNETT JONES LLP**  
3400 One First Canadian Place  
Toronto, ON M5X 1A4

**Mark S. Laugesen (LSUC#32937W)**  
Tel: 416. 777.6254  
Fax: 416. 863.1716

Lawyer for the Applicant,  
Daco Manufacturing Ltd.

IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION OF DACO MANUFACTURING LTD. OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO

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**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

**COMMERCIAL LIST**

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**MOTION RECORD**

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**BENNETT JONES LLP**  
3400 One First Canadian Place  
Toronto, ON M5X 1A4

**Mark S. Laugesen (LSUC#32937W)**  
Tel: 416. 777.6254  
Fax: 416.863.1716

Lawyer for the Applicant,  
Daco Manufacturing Ltd.